CREDIT

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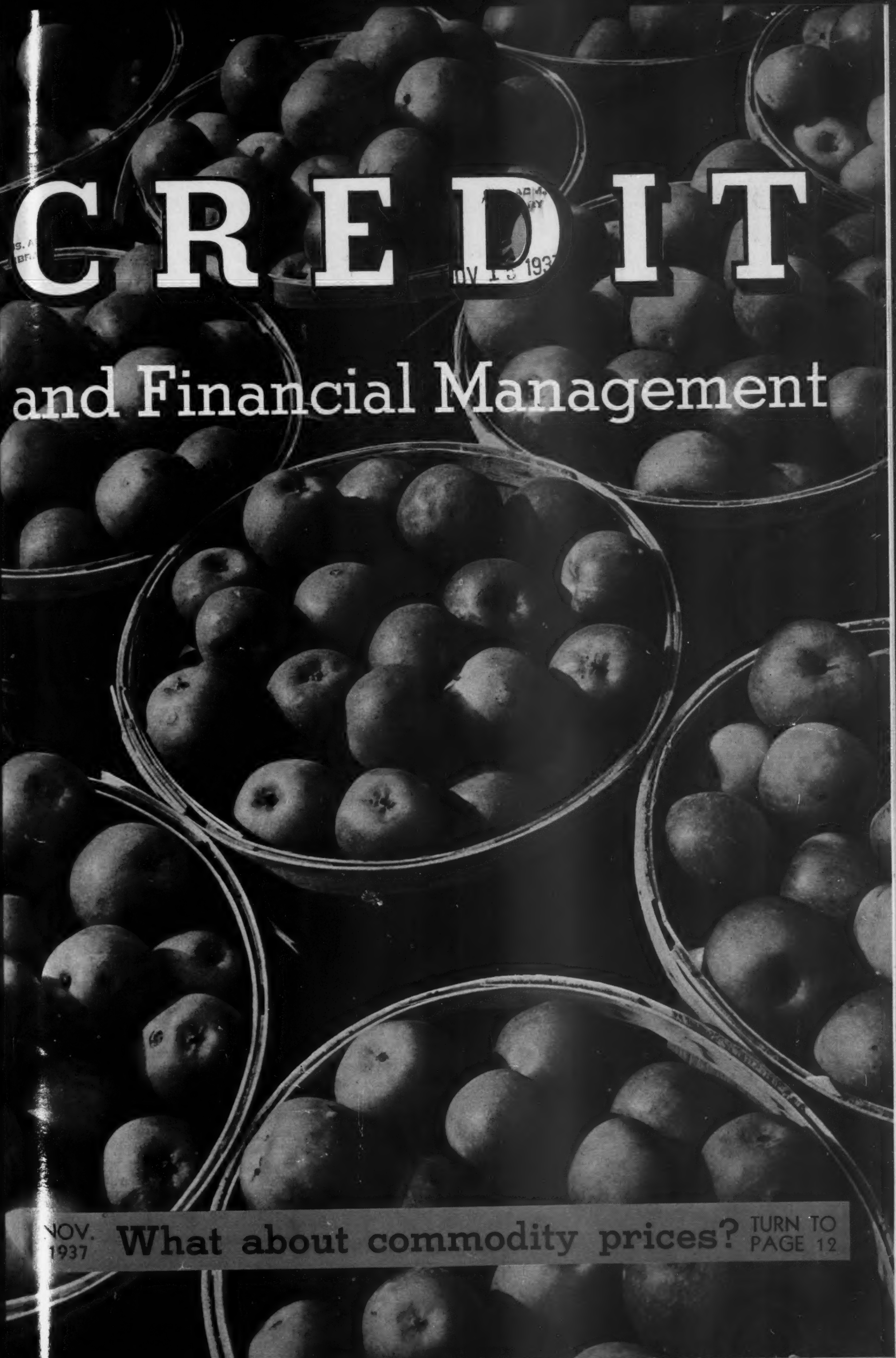

NOV. 1937

What about commodity prices? TURN TO PAGE 12

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CREDIT

and Financial Management

Contents for NOVEMBER, 1937

Cover photograph from PHILIP GENDREAU

Official Publication of the National Association of Credit Men

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Regulation by education

The recent stock market collapse brought a look of surprise to many faces. And that in itself should be surprising, because since human nature changes very slowly, a rise or fall of the stock market can be expected from time to time.

Human beings tend to seek the easiest way. But sometimes this proves to be the hardest way and, occasionally, the impossible way. There is undoubtedly a tremendous lure in the thought that a fortune can be acquired through speculation. But the homely expression—easy come, easy go—is highly charged with truth.

Fundamentally, education rather than regulation is the best way to keep gambling in check, whether on the stock exchanges or any other place. The child of a friend of mine was possessed of a desire to play slot machines so my friend changed a twenty dollar bill into quarters and had his child keep score while the machine was played. Without comment of any kind on my friend's part, the slight mathematical chance of winning was so impressed on the child that the matter of keeping the child from playing slot machines vanished—of the child's own volition.

The Securities and Exchange Commission could render a valuable service to investors, exchanges, and corporations—and speculators. I am convinced that an analysis of stock accounts would reveal that over a period of years almost every active speculator loses. The publication of such statistics could be illuminating. It might through education achieve even more than regulation.

Laws regulating security issues are essential. If not too restricted, they mark a constructive step. Public exchanges are necessary. If not turned into gambling halls, they serve a useful purpose. And, after all, the legitimate function of these exchanges should not be jeopardized through their usurpation by those speculatively inclined.

The investors of the nation, not the speculators, have been the real contributors to the march of business progress.

Executive Manager, N.A.C.M.

VICTOR H. STEMPF, Partner, Touche, Niven & Co., and Chairman, Committee on Federal Taxation, American Institute of Accountants, discusses

Taxes: bug-a-boo

Creation of a qualified non-partisan commission to conduct research "required for the unbiased determination of fixed principles of federal income taxation" is urged by the Committee on Federal Taxation of the American Institute of Accountants in a report just prepared for the attention of the Council at the Institute. In support of the recommendation, we of the tax committee state publicly that taxation has become a bug-a-boo in corporate planning.

Business can adjust itself to changing rates of taxation, but to face the future confidently it must have reasonable assurance of the character and basis of such tax predicated upon ascertained facts and not upon guesswork. Business cannot face the future confidently if forced to distribute prodigally resources which should be husbanded for future adverse years.

Copies of the report of the Committee on Federal Taxation have been mailed to Secretary of the Treasury Morgenthau; Roswell Magill, Under Secretary of the Treasury; the chairman and members of the Senate Finance Committee; the chairman and members of the House Ways and Means Committee, and to other members of the government. In addition, copies have been sent to the National Association of Manufacturers, Chamber of Commerce of the United States, and other industrial and business national associations.

Stress is laid in the report on the objection of the committee members to the present surtax on undistributed corporate profits, which the committee challenges as unsound, in that it ignores recognized credit standards and invites violations of the rudiments of corporate finance, "by placing a premium on the immediate distribution of earnings, and even the creation of debt to facilitate such distribution which is ordinarily regarded as financial heresy, endangering the future stability of enterprise". On this point, the committee members further state:

"We strongly urge the abandonment of the present form of surtax on undistributed profits and reiterate the recommendation made to the Senate Finance Committee in May, 1936, that a higher corporate normal tax be enacted, coupled with a 'drawback' at a fixed rate to be applied to the amount of dividends paid during the taxable year, as a credit against the corporate income tax. The higher the rate of 'drawback' the greater the incentive to distribute (within the limits of sound financial practice) resulting in a greater yield from the surtax on individual income. The relative simplicity of this method recommends it strongly."

The tax burden should be equalized and the federal revenue stabilized, the report further declares. The committee members urge the principle of taxing corporate income on the basis of average earnings for five years, stating it as their belief that it is inequitable to exact heavy taxes upon the full profits of successful years without relief in respect of unprofitable years. The Corporate Surtax, in our judgment, emphasizes this inequity and demands the immediate dissipation of earnings by distribution, leaving a stripped exchequer to face lean years.

"A basis of average earnings", the report states, "would correct this evil, and by the same token would assure less fluctuation in the level of revenue to the government. The taxation of income on the basis of average earnings would immediately minimize administrative problems and controversies as to the year in which an item belongs, and would automatically give effect to the principle of carrying over net losses."

The committee report further stresses the fact that as the law now stands, it sometimes happens that a corporation has to pay income taxes when it actually has no income, and, furthermore, under the 1936 Revenue Act, it may have to pay not only normal income taxes, but also a surtax on undistributed profits. The point further is made that, if the tax is to be an equitable one, "it is obvious that the basis of the tax should be the amount of the actual earnings of the taxable year, and not an amount which often bears little relation thereto. As the amount of tax is controlled by dividend payments, the basis of the tax necessarily should be that income which is available for the payment of dividends, which means true earnings and profits."

In many cases, the report shows, corporations having earnings or profits for the taxable year but an accumulated deficit, are forbidden to pay dividends by the laws of the States in which they are incorporated. It is obviously unfair to penalize such corporations for failure to distribute current earnings when such failure is not due to any act or omission on the part of directors, but solely to a law over which they have no control.

The committee strongly urges that a portion of adjusted net income should be exempt from the surtax on undistributed profits and say: "if the surtax on undistributed profits had been in existence before the depression from which the country is now recovering, many corporations that survived would have failed, and many more would have had to curtail payrolls, thereby aggravating the problem of unemployment. Considering the stability of federal income tax revenue alone, it is essential

# of corporate planning

to permit corporations to retain a portion of their earnings without subjecting such retained portion to a burdensome tax."

Other recommendations made by the committee include the following: corporations operating under creditors' extension agreements should be exempt from the surtax on undistributed profits; earnings used or set aside to retire indebtedness should be allowed as a credit, regardless of the lack of a contract providing for such disposition; the dividends-paid credit should be the amount of dividends paid during the year ending 90 or 120 days after the end of the taxable year.

The committee strongly recommends that the present method of taxing capital gains and losses is perilous to economic stability and should be modified. It is argued, states the report, that the existing capital gains tax obstructs the normal flow of capital by encouraging taxpayers to hold on to assets involving profits in order to come within the categories of longer holdings, hence reduced taxable percentages, and thus has the effect of artificially curtailing supply, thereby inducing artificial price rises. The higher the price and the profit, the greater the incentive to defer the sale in the hope of ultimately consummating it at a reduced tax cost.

The result of this situation, in the judgment of the committee members, is a "vicious circle and a distorted market". he reports adds: "Relief in taxation of capital gains would re-open the flow of capital transactions and the profits and employment that go with such transactions, which are now inhibited by inordinate taxes."

Consolidated returns should be required, in the judgment of the committee members. Inasmuch as subsidiary companies are often organized merely to comply with the requirements of various state laws or to minimize risk in opening up new territory or establishing a new line of business, it is erroneous to treat them as entities distinct from the parent corporation.

Maintenance contract as insurance

Attorney General Herbert S. Duffy of Ohio recently rendered an opinion to Superintendent of Insurance Robert L. Bowen, at the latter's request, as to whether a certain maintenance contract substantially amounted to insurance.

In summing up Attorney General Duffy said:

"In specific answer to your question, I am of the opinion that where a company in consideration of a specified amount payable in advance together with a certain cooperative charge payable when service is rendered issues a contract whereby it agrees to repair certain described parts of a motor vehicle damaged as a result of an accident it is entering into a contract substantially amounting to insurance under the provisions of Section 665, General Code."

The simplest way to secure a correct statement of income from affiliated companies, the report says, is to require a consolidated return, with all intercompany transactions eliminated. This was pointed out by the Treasury Department to the Ways and Means Committee when it was considering the Revenue Act of 1934.

The consolidated return, in our judgment, conforms to recognized, sound accounting practice. Otherwise nonexistent income is taxed, profits and losses may be shifted from one wholly-owned subsidiary to another in such a manner that the Commissioner's power to reallocate income is ineffectual, and their separate statements of income do not present an accurate picture of the earnings of particular units.

In closing its report, our Committee on Federal Taxation of the American Institute of Accountants declares, in part:

"We deplore experimentation and shifting of the form and incidence of taxation. Furthermore, the intricate and sensitive mechanism of sound business practice should not be shattered by factors of taxation which demand an inordinate degree of guesswork.

"For many years the determination of sound principles of federal taxation has been urged. Treasury emergency and political expendiency have combined to defer this objective. The Administration could do no one other thing of greater importance to assure the future stability of business than to bring about the creation of a qualified non-partisan commission to conduct the research required for the unbiased determination of fixed principles of federal income taxation. The most confusing and perilous factor confronting those who chart the course of business today, is that of taxation. Much of the uncertainty could be removed."

The members of the Committee on Federal Taxation are in addition to the Chairman, Berl G. Graham, partner in Gano & Cherrington, Cincinnati; Wayne Kendrick of Wayne Kendrick & Co., Washington, D.C.; J. S. Seidman, of Seidman & Seidman, New York; and Clarence L. Turner of Turner, Crook & Zebley, Philadelphia.

Credit Men:

Are you bothered by "Terms-chiselers"?

Read this letter:

Sirs:

For reasons of my own I would prefer not to have my name quoted, or the name of my company, but it occurred to me that it might do no harm to bring attention to a rather growing tendency on the part of larger firms particularly to try and extend the cash discount terms by almost insisting that invoices dated from the 25th of the month to the end of the month bear dating as of the first of the following month, which on monthly discount terms would mean that invoices from the 25th of the month to the end of the month would be due less discount on the 10th of the second month following.

This is simply taking another week and it seems to me that this tendency should be stopped before it becomes almost an established practice.

To make this worse some firms have been attempting, in addition to the 2% discount, to also take anticipation at 6% per annum. In other words, they ask for dating so that they may clear their invoices and do it in an orderly fashion and then in the next breath they pay the invoice and try to secure 6% interest for the time elapsed. We have been fighting both of these things and in fact will not permit anticipation but it does seem too bad that both of these practices should be allowed to exist.

There is perhaps some excuse for the second practice where the house is in great need of funds and is willing to pay the additional 6% per annum to get them but in the majority of cases this anticipation will simply mean an added cost to business and is really an abuse of the terms.

I would be interested in hearing what your readers have to say with respect to both of these matters.

And now—please write us your views and how you handle these cases.

In a subsequent issue of Credit and Financial Management, we will publish a cross-section of our readers' findings.

Success story

A "cereal" testimonial, complete in one installment, to Credit Interchange, by ROY D. EISAMAN, Credit Manager, Jersey Cereal Co., Cereal, Pa.

Three years ago we decided upon a bold departure from customary credit procedure. Our company, for many years, had used two or more credit services probably because we subscribed to the traditional theory that financial information is essential to credit analysis.

Then came the Depression. Among its victims were many of our customers whose financial stability, judging by their balance sheets, should have precluded bankruptcy, receivership or reorganization. It was then that we realized the necessity for ledger experience as a dependable credit barometer, and resolved to place absolute dependence upon the facilities of the National Association of Credit Men. Would it efficiently and adequately serve us as an exclusive source of credit service? That was the question.

Doubt has now been displaced by certainty. Our operating figures for the last three years irrefutably prove the sufficiency of Association service. Let's take a look at the books. In 1934, the first "experimental" year, we showed a credit appreciation of .00106%. That year we salvaged more from the bad debt losses of previous years than we were required to charge off. Our loss in 1935 was .00052%. During 1936 our credit loss was further reduced to .00004%.

Perhaps you wonder if we were too critical in selecting credit risks at the sacrifice of sales volume? The answer is definitely "no", because our 1936 sales increased 28% over the previous year. Did we pad our receivables at the end of the year with past due items, to show a small loss? The answer again is "no", because on December 31, 1936, only $386.81 was more than sixty days past due and of that amount, all but approximately $20.00 has been collected to date.

You may be interested to know how these results were accomplished. Our first step, late in 1933, was to consult the staff of The Credit Association of Western Pennsylvania at Pittsburgh. There, we inquired into Adjustment and Collection Bureau service and learned how to analyze Credit Interchange reports.

These reports immediately became more valuable to us. For example, the information listed under the heading "Manner of Payment" now has a special significance for us. Not only does it tell how customers pay their bills, but it has helped us acquire customers whose reputation for integrity adds prestige to the products we market through them. We learned how long it would take to develop reports on new accounts and the length of time that would be required to revise out-of-date reports. Armed with this information, we advised our Sales Department how quickly an order could be approved by the Credit Department.

When we receive a first order, we immediately request a Credit Interchange report and note on our ledger sheet the date the report is received. Each time an inquiry is made by the Bureau, we record this fact on the ledger sheet to make sure that we check for a copy of the report when our file is due for revision. As reports are received they are carefully analyzed and compared with previous information to determine trends.

When preliminary information is not sufficient to warrant approval on our regular terms, which are 2%-10-30, we hold the order until the completed report arrives. Frequently the recommendations from salesmen and the facts contained in Credit Interchange reports, conflict. In such cases, despite alluring sales inducements, we invariably cast our vote for Interchange and write a nice letter to the applicant. Our credit policy, we tell him, requires shipment by sight draft, bill of lading attached. His acceptance of those temporary terms will earn him a 2% cash discount.

Another use we make of Interchange is to inquire, when an account becomes delinquent, if other creditors are experiencing the same difficulty. Sometimes we find that we are "holding the bag" and others are being paid promptly. Our remedy is to remind the customer that we expect only the same courtesies that are extended to others and that our past due account blemishes an otherwise splendid paying record. As a rule this treatment corrects the delinquency.

Every four weeks we make an analysis of our Accounts Receivable. During the third week of each of these periods, statements are mailed to all open accounts. At the end of the thirty-day net period, a courteous letter is dispatched to all delinquents. To those who do not respond, a second letter is sent ten days later.

Our third mailing is in the form of the Association's free demand collection service and is presented when the account is sixty days past due. Ninety percent of these customers evidently appreciate the value of a good credit reputation and recognize the authority of the N. A. C. M. because they pay us within the ten-day free demand period and save us collection fees.

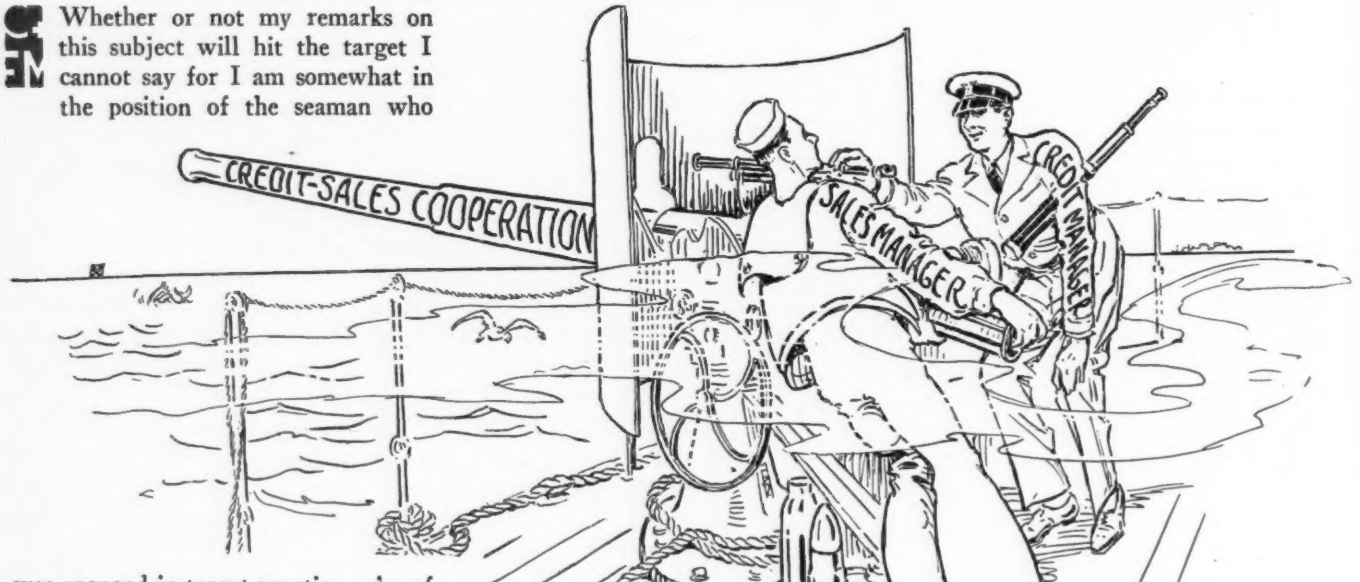
In fairness to all credit services, we wish to comment that their value depends upon how they are used. We are partial to the Association service departments because they have responded admirably to our challenge. Those who are familiar with the distribution of food products will acknowledge that the industry's credit problem is hazardous.

In view of the fact that we sell both large and small accounts over the entire United States, we think our experience speaks volumes for the value of the Credit Interchange Service and for the resourcefulness of the Adjustment and Collection Bureaus. At the same time we are not unmindful of the benefits we receive through the legislative, research and educational activities sponsored by our local and national organizations.

Credit as a sales factor

by ROBERT HERVEY CABELL, President, Armour and Co.

Whether or not my remarks on this subject will hit the target I cannot say for I am somewhat in the position of the seaman who



was engaged in target practice. An officer inquired "Where are your shots going?" and the gunner answered, "I don't know, but they are leaving this end all right."

Of course it is not advisable for the selling end to ignore credits entirely and leave the job to the credit man, for cooperation can be mutually helpful. Credit is a sales factor of great importance and a salesman who would succeed must recognize this fact. That means that there must be a close tie-up at all time between the credit department and the sales end.

The sales outlets of most companies are constantly changing. Customers come and go. The life span of business institutions on the average is only between five and six years. For instance, in the five years from 1930 to 1934, inclusive, over 300,000 new businesses came into existence each year—and about an equal number went out. Doubtless many of these folded up because the proprietors found something better or because their capital gave out or for any one of a dozen other reasons.

On the average only about 20,000 of these annual failures resulted in losses to creditors. Probably many more of them would have meant losses to creditors had it not been that alert credit men had watched them carefully and kept down their liabilities.

For this reason I feel credit men perform a useful service not alone to their employers but to the concerns which they watch on behalf of their employers. In my experience many a business has been saved because some credit man just wouldn't let the customer get into deep water by loading up with stock beyond his capacity to handle profitably.

In the final analysis credit is the life line of sound business because the magnitude and the multitude of transactions necessary in the life of the nation preclude any possibility of their being done on a cash basis.

Credit in one form or another is vital and its misuse might threaten the very existence of enterprise. In the packing business it is the practice to buy livestock for cash. Every business day in the year we stand at the market place ready to take all the cattle, hogs and sheep which the farmers send in. Whether the shipments are heavy or light, whether the consumptive demand is strong or weak, we buy what is offered and when the stock has been driven over the scales the weight ticket initialed by our buyer can be turned into cash immediately at the nearest bank.

This is a most unusual service to the nation's farmers and one of which the packers are justly proud. Corn or cotton or coal or any other raw material from the soil may pile up at the source of production with no one willing to buy for cash, but livestock is always as good as money in the bank.

We can't sell our output on the same basis, however, for that is not the way the nation handles its business. Our clients cannot pay us until they in turn have collected from their customers. This takes at least a week in the case of fresh meat and longer than that on some of our less perishable items. So, perforce, we have to extend credit and because of the narrow profit margin that exists in the meat business and because of the constant turnover of customers, to which I have already referred, credit and the conditions under which it is extended are inseparably linked with making satisfactory sales.

Our invisible foreign trade

by ERNEST G. DRAPER

Asst. Secretary of Commerce

In considering our international trade in its broader aspects we find that a substantial part of our normal international business consists of "invisible" exports and imports. Some of these exports and imports are "invisible" in the sense that they involve the sale or purchase of services such as freight, insurance, passenger service for travelers, etc. while others represent in fact actual merchandise which is either consumed in this country by foreigners traveling here, or by Americans during their travels abroad.

Since much of this "invisible" trade involves the international transfer of funds through the medium of our banking institutions it is readily seen that the financing of our foreign trade extends far beyond the granting of acceptance credits against shipments of merchandise exports and imports or the collection of bills arising from the international sale and purchase of visible products.

It is with a view to showing our international commercial and financial dealings as a whole that the Department of Commerce publishes every year a comprehensive report under the title, The Balance of International Payments of the United States.

During 1936, our merchandise exports amounted to $2,453,000,000, while the value of merchandise imports was $2,419,000,000. When we include such "invisible" transactions as shipping, tourist expenditures, interest and dividend items, and the large number of minor operations, our total exports of goods and services amounted to $3,470,000,000 while imports represented a total of $3,602,000,000. In other words, our "invisible" exports, which included $575,000,000 received on American investments in foreign countries, were equal to 41 per cent of the amount represented by the sales of merchandise abroad, while our "invisible" imports were approximately 49 per cent as large as our purchases abroad of commodities.

These "invisible" transactions normally constitute an important part of the international trade of those countries whose commerce and industry have reached a high state of development, and whose per capita income is comparatively high. Unless we give proper consideration to their importance we are always inclined to have a distorted view of our foreign trade as a whole.

As a result of a sharp increase last year in certain of our "invisible" imports the total payments which were called for by this country's purchases of goods and services abroad exceeded total receipts, whereas in previous years the net result was an excess of "exports."

Our most important "invisible" import, for example, is the total expenditure of our tourists abroad. Travel at home and abroad is sensitive to changes in our national income and the increase in our travel outlays abroad from $409,000,000 in 1935 to $495,000,000 in 1936 reflects a corresponding improvement in the income of the American people. Personal remittances to foreign recipients which increased last year are similarly responsive to the well-being of a large mass of our wage-earners.

More than half of American investments abroad are of a so-called "direct" character, that is, they represent American corporate interest in foreign productive properties, whether rubber plantations in the Middle East or branch plants in England. Approximately one-fifth of foreign investments in this country are of the same type.

During 1936, as in other recent years, our balance of international payments was materially influenced by political and financial difficulties abroad. For the third consecutive year gold imports, which reflected in general the movement of capital funds from foreign centers in the United States, exceeded a billion dollars, while exports of gold remained unimportant.

In examining our international trade and financial position, it is important that we view these movements objectively. The changes from year to year in our balance of payments must be interpreted in the light of the forces which produced them.

"Domestic Commerce"

Latin-American trade rivalries

The statistical record of the past few years clearly indicates that the struggle for Latin-American trade has been intensified, and that the chief competing nations—the United States, Great Britain, Germany and Japan—have succeeded in raising materially their aggregate share in Latin-American imports, Howard J. Trueblood declares in the Foreign Policy Association's September 15 report, "Trade Rivalries in Latin America."

The most aggressive campaign has been conducted by Germany, which has been forced to shift imports to those countries providing an outlet for its manufactures. The German trade drive has been most successful in Brazil and Chile, where Germany in 1936 displaced the United States as the chief source of imports, and competition has been scarcely less severe in Peru, to say nothing of various Central American markets.

On the other hand, Germany has been less successful in Argentina, which represents the richest market in Latin America, partly as a result of British domination manifested in the Roca Agreement. (*Cont. on p.* 29)

What about commodity prices?

by Dr. MELVIN T. COPELAND, Professor of Marketing, Graduate School of Business Administration, Harvard University

During the last four years I have been carrying on a study of the movements of the prices of basic raw commodities in international markets. The list of commodities includes copper, lead, zinc, tin, silver, rubber, sugar, coffee, cocoa, hides, silk, cotton, wool, butter, and wheat. The markets include those in the United States, England, France, Germany, and various other countries for which price quotations are regularly available.

These raw materials provide a volume of trade of upwards of fifteen billion dollars a year. They come from all quarters of the globe and enter into the manufacture of an enormous number of finished products. Their chief significance, however, in a study of price trends arises from their sensitivity. They move more rapidly, over a wider range, than do the prices of finished products.

I shall not give you, however, all the statistics that have been compiled in this study. Instead I will attempt to summarize recent trends and the current situation.*

About 1925 a decline in raw commodity prices set in throughout the world. This decline continued, of course, after the recession in business activity which occurred in the autumn of 1929. The decline went on apace in 1930, 1931, and the first half of 1932. An upswing started in the autumn of 1932 but it did not hold and it was not till after the inauguration of the New Deal and the "Bank Holiday" in March, 1933, that real improvement came.

During the spring of 1933, the upward movement was fairly rapid; then it flattened out, tapering into a gradual rise which continued until the autumn of 1936. Starting about a year ago, the prices of most of these commodities began to advance sharply. That advance carried over into the spring of this year; then another reaction took place. For several months now the price situation has presented a big question mark—is the trend to be downward or upward, or is there henceforth to be no trend?

From 1925 to 1931 the prices for each raw commodity moved closely together in the major world markets. In fact the correlation often was almost uncanny. After England went off gold in September, 1931, the English markets ranged above the American, French, and German markets, but in the spring of 1933 the American prices again became closely correlated with the English prices and since that date, with few exceptions, the English and American prices have followed much the same paths.

The advance in raw commodity prices which took place in 1936 was popularly attributed at the time largely to the demand for war materials in Europe. The war demand undoubtedly was a factor, but it easily can be exaggerated.

General business activity in the United States and Europe had risen to a point where surplus stocks of raw materials were being depleted. Labor disturbances threatened interference with production of some of these materials and encouraged forward buying. And the long-awaited effects of new monetary and fiscal policies may have begun to manifest themselves.

The down turn of prices in the spring of 1937 resulted in part from the puncture of a speculative boom in certain commodities in England. Strikes interrupted operations in various manufacturing industries in the United States. Then there was the Presidential pronouncement that certain raw commodity prices were rising too fast; this is a jittery generation, and we have not yet become wholly accustomed to having our prices dictated from Washington.

Perhaps, moreover, the world-wide advance in raw commodity prices had hit a pace that could not be maintained. Before the days of the New Deal dollar, it was common experience for any long upswing of prices to have several zigzags in its course.

What about the future?

I am no prophet and I also have no access to the inner sanctums of the New Deal. Hence all that I can do is to summarize the situation on the basis of known facts and past experience.

The current price situation is one in which many forces are at work—technological, political, social, and economic in character. Some of these influences are tending to depress prices; others are of an inflationary nature. Frequently they conflict, or at least seem to conflict, with each other. For example in the political area, some of the Administration's labor policies hardly seem consistent with the program for freezing prices.

The major influences which tend to depress prices are of long standing. For most raw commodities the facilities for production were increased during the World War. European resources for the production of various commodities, which had been devoted to satisfying military needs or which had been rendered idle by military operations, resumed commercial activities after the end of the War.

The new plus the old provided a producing capacity in excess of the market needs. In some instances, too, new sources of supply were opened up after 1918. Further additions to raw material producing capacity and further maladjustment resulted from technological innovations, such as the flotation process in the non-ferrous metal industries, a new type of cane in the

** In a slightly modified form, this paper was presented at the Boston Distribution Conference, September 21, 1937.*

Gendreau

Since prices are a trade barometer, what's ahead for prices is important.

sugar industry, and power farming in the wheat fields.

Trade barriers, in the form of higher tariffs, restrictive agreements, and so on, have added to the maladjustment. A rampant spirit of nationalism has led various governments to seek to protect established industries in their respective domains from foreign competition and also has encouraged efforts to increase domestic supplies of basic materials in order to promote national self-sufficiency. By checking a readjustment of productive capacity to market needs, nationalistic policies throughout the world have fostered a vicious circle in markets essentially international in character.

Such influences as these brought on the general decline in raw commodity prices which began about 1925. They set the stage for the disastrous drop after 1929. And they still are powerful.

On the other hand, the increase in business activity all over the world during the last five years has worked off a lot of the surplus stocks. Forward buying has begun, at least sporadically, to supersede hand-to-mouth buying. As a result, for many commodities the so-called statistical position has been tending to become stronger.

Monetary and financial factors, furthermore, point toward a further upswing of commodity prices. A large increase has taken place in the world output of gold and large quantities of gold have come out of the hoards of India. In numerous countries, moreover, currencies have been debased, and the supply of money and credit thereby potentially increased.

In the United States, the dollar has been devalued to 59 cents and the coinage of silver has been expanded. The changes in our banking laws and especially the methods of financing our huge government deficit have set the stage for a further substantial rise in commodity prices. The upswing in prices that was expected to result from these causes has come much more tardily than generally was anticipated. Nevertheless, if prices should not freeze, it appears as though the upward movement would soon gain new momentum.

As has been stated before, the fact that a reaction in commodity prices occurred last spring does not necessarily indicate that the upward trend is stopped. Some zigging and zagging is to be expected. The further fact that not all the commodities have advanced in price at the same pace also does not necessarily argue that the rise is ended. Not all started down at precisely the same time twelve years ago.

Cotton, for example, was one of the last to join the procession; it reached its peak of that period in 1928. The weakness in raw cotton prices in 1937, therefore, may mean merely that for the time being special influences are outweighing the long-run factors. Nevertheless, my analysis of these raw commodity prices has impressed me strongly with the relentlessness with which heretofore the basic long-run factors sooner or later have shown their effects.

The additions to the gold supply of this country through importation, new production, and the devaluing of the dollar will affect prices, if at all, by providing a base for a credit pyramid. The government bonds which are taken directly by the Federal Reserve Banks put a corresponding amount of credit or paper money (Federal Reserve notes) into commercial circulation, and those bonds which have been purchased by commercial banks can add to the credit pyramid by being used as "security" for borrowing from the Federal Reserve Banks.

From the price standpoint, the question now is:—Will all this potential credit be put to work?

If this potential credit is to affect prices, it probably will do so especially through loans by the banks to industrial concerns for additional working capital. The last eight years have been lean ones for many firms. Their working capital has been depleted. Hence rising wages and higher raw material prices now are leading more and more of them to turn to the banks for loans to provide working capital.

Larger numbers of employees and higher wages mean that more funds are necessary for financing pay rolls. Greater production means that larger quantities of materials must be carried in inventories and higher raw commodity prices swell still further the inventory requirements for working capital.

In the face of these needs for greater working capital came the federal tax imposed last year on undistributed earnings. That tax has checked a replenishment of working capital out of earnings, by penalizing those firms which do not pay out practically all their earnings to stockholders. This tax operates to make business firms more dependent on the banks for working capital.

Some of the big corporations, to be sure, have accumulated such large sums of working capital in the past or readily can secure funds by new financing that the tax carries little hardship for them. But there is a large number of companies which now have no other ready source from which to obtain working capital except the banks.

There is enough credit available to permit the building of a huge price snowball. Will it be utilized?

This brings us to certain events of the last six months which are of especial significance—the struggle of the New Deal administration to keep federal bond prices up and to keep commodity prices down. In January, 1937, the Federal Reserve Board announced a stiffening of the reserve requirements for member banks, to become fully effective May 1, as a means of checking undue credit expansion and thereby putting a brake on the rise in commodity prices which was under way. In order to meet these requirements, numerous commercial banks began to sell government bonds which they held. Bond prices dropped.

Since the government is still spending far more than its income, the drop in government bond prices jeopardized its financial program. Consequently, in April the Federal Reserve Board announced that the Federal Reserve Banks would buy government bonds to whatever extent might be necessary to protect their price. The net effect of the latter move was to nullify the Board's previous step of raising reserve requirements.

During August, the various Federal Reserve Banks, presumably at the instigation of authorities in Washington, reduced their rediscount rates. The object of this move was to induce member banks to borrow from the Federal Reserve Banks to finance the fall movement of crops and to take care of current business needs without selling more of the government bonds which they hold. If the move works out as planned, its effects will be inflationary in character. On September 13, the Treasury desterilized $300,000,000 in gold, thereby providing for an increase in reserve balances and adding to the monetary "ease."

Easy money, as exemplified in the policies of the Federal Reserve Board and the Treasury Department, facilitates continued borrowing by the government at low rates, but it also threatens to prevent a check on the inordinate expansion of credit which would result in a further heavy advance in commodity prices.

The continued deficit of the Federal government, therefore, now tends to have a two-barreled effect in shooting up the prices of commodities.

First, the bonds serve to expand credit and to increase the amount of paper money in circulation.

Secondly, the need for financing the deficit calls for easy money and the avoidance of those checks on credit expansion which might prevent an abnormal rise in commodity prices.

I am not unmindful of the fact that we have been assured by the President and Mr. Farley that the budget is soon to be balanced. I do not wish to appear unduly skeptical, but the assurances of budget balancing that we have had during the last four years sound very much like the assurances that repeatedly were given from official sources during the Hoover administration that "Prosperity is just around the corner."

President Roosevelt and his advisers have no intention, of course, of letting the credit situation get out of hand. Nevertheless the President has his heart set on a continuation of extensive and costly social experimentation, and on maintaining the political power which comes from generous "relief" appropriations. Hence the deficit continues. So long as there is a deficit, it is necessary to keep government bond prices up and desirable to keep interest rates down. That makes it difficult to check any advance in commodity prices.

The question of the future trend of commodity prices, therefore, has a large political aspect. The deficit and the correlative monetary policy of the politically dominated Federal Reserve System tend to cause commodity prices to rise. That will lead to public resentment. On the other hand, any curtailment of Federal expenditures or an effective increase in taxation, which necessarily would hit "the man on the street," also would be unpopular.

How will the Great Quarterback escape from that impasse?

If past experience in this country and abroad were still of any significance, and if our affairs were not in the hands of a genius of unparalleled resourcefulness, I should expect commodity prices to go up at least another fifty percent or so, with some zigzags in their course.

Pricing problems in branded merchandise

Why do private brands, quality for quality, usually sell for less than national brands? Six reasons seem to be pertinent, Prof. Albert Haring of Lehigh University says.

1. Private brands have been pushed by low cost retailers, many of whom are cash-and-carry. In a large organization, modern technique must be followed or jobs are lost. There is no one to stop the independent operator from taking a nap.

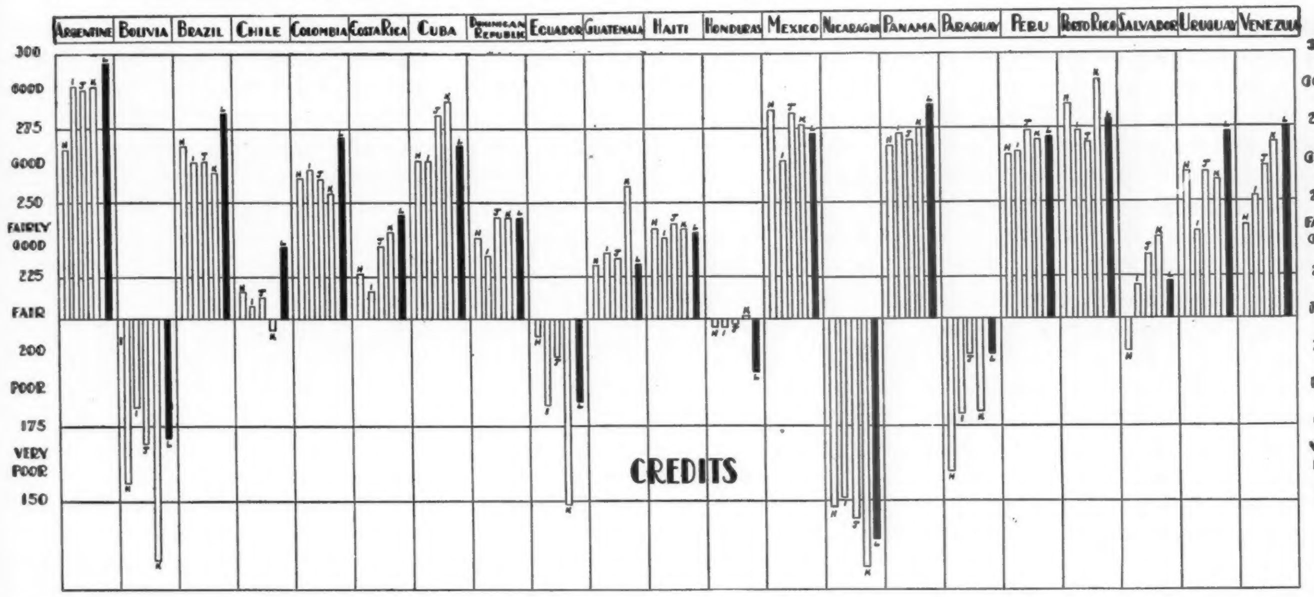
2. Quality for quality, private brands cost less, because, as they leave the manufacturer, they have no salability. Beautyrest on a mattress, Westinghouse on a refrigerator, and Parker on a gun mean something to both dealer and consumer. Identical merchandise without such names is definitely less salable. The good-will attached to these trademarks costs money. In addition, private brands are sometimes sold, even after the Robinson-Patman Act, with too little overhead included in their price.

3. Brand acceptance, (*Cont. on p. 27*)

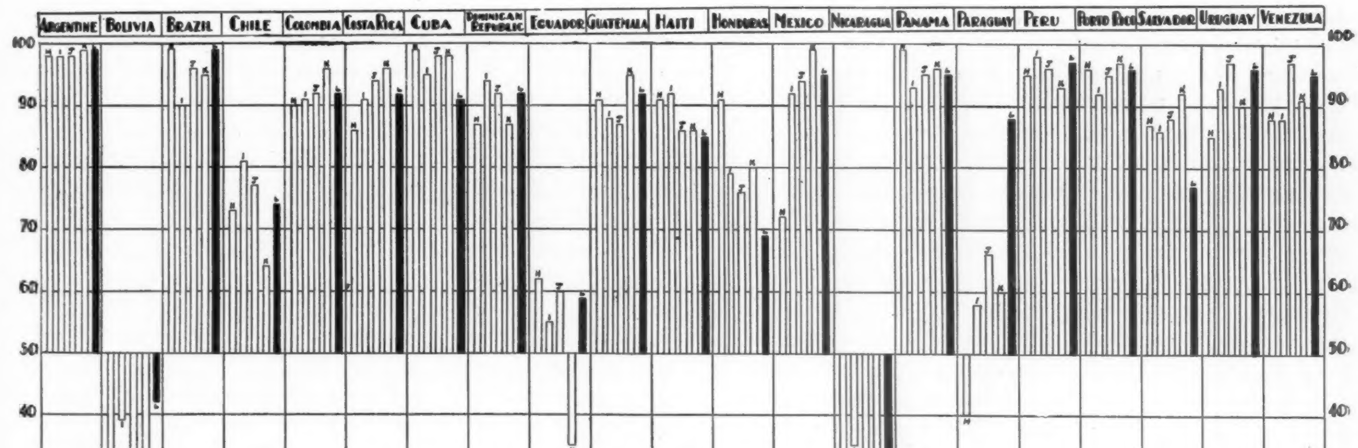
Latin-American credit and collection survey

by W. S. SWINGLE, Director, Foreign Dept., N.A.C.M.

H: 3rd Quarter, 1936; I: 4th Quarter; J: 1st Quarter, 1937; K: 2nd Quarter; L: 3rd Quarter.



Credit conditions in twenty-one Latin-American countries scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country.



Collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country in each survey.

The "Junior Execs" and the credit department

by J. F. WELSH, Credit Manager, The McCormick Sales Co., Baltimore, Md.

Suppose that you were a young man, doing a glorified clerk's work in the office of a large corporation.

Then, out of a clear sky, you were told that you were to have a voice in the running of the business. Fantastic and unbelievable is your first reaction, and a natural one, because such occurrences are exceedingly rare. But to sixteen young men of McCormick and Company, this opportunity was presented.

The founder and president of the company, W. M. McCormick, died on November 4, 1932. By unanimous vote of the board of directors, he was succeeded by his nephew, C. P. McCormick, who was then only thirty-six years of age.

While young, there was no phase of the business with which he was not familiar, having seen service in the factory, office, and on the road. In his capacity as salesman, he was instrumental in opening a number of new markets, where the name of McCormick had been unknown. He was a young man, with a young man's enthusiasm, aggressiveness and initiative, and above all he liked to associate with young men. He reasoned that the young men in the organization would take on responsibility at some future time—why not at the present, so that they could be on their own and yet have the advice of the older executives?

The assistants of the various departments in the office were called together and told that they were to have a hand in the management of the business, that they were to be the junior executives not only nominally but actually. They were to be self-governing, electing their own officers, conducting their own meetings, without assistance (or interference) from anyone.

This was something new, something we had dreamed about, something we had hoped for in the years to come. But now!! It was all rather bewildering, but our one basic reaction was—to make good!

The Junior Executives have always been self-governing. There are only two officers, the chairman and the secretary. Their tenure of office, however, is for a period of three months only. This enables four members each year to gain experience as chairmen that it would be impossible for them to obtain otherwise. They preside at meetings, conduct the affairs in proper manner, learn to give orders and suggestions, and then follow through to see that they are carried out. In short, during a three-month period, a Junior Executive chairman has had the opportunity to gain experience that is invaluable to him in the future and should better fit him to cope with any situation that may arise.

At this point, the skeptical reader may well say, "It sounds good, but does it actually work out in practice?" At the time of its inception Mr. McCormick promised that any vacancies on the Senior Board would be filled by members of the Junior Board, if they proved that they qualified for this honor. To date, four members of the Junior Board have been advanced to the Senior Board where they are doing most efficient work. We know that advancement comes always from within the company, and this is an added incentive to prove that we are, and will be, capable executives.

The regular meeting is held once a month, presided over by the chairman. Here the members bring their ideas and suggestions for consideration by the entire board. Everyone has a voice in the discussion, and many a wild and radical thought has been modified into a constructive suggestion by the thoughts of sixteen men, representing nearly every phase and department of the business. You learn to give and take; there is no room for the "yes-man" or the thin-skinned individual. You become familiar with the problems of the other departments, and a bond of sympathetic understanding is engendered which enables one to work much more efficiently and co-operatively on any idea that is proposed. Quite a change from the old attitude of "dog eat dog" and "I'll take care of my department and you take care of yours."

Perhaps this article should be confined to the benefits derived by the credit department from the formation of the Junior Executives. It is my desire, however, to show what can be accomplished by the concerted efforts of a group of young men who have been injected with a spirit of loyalty, unselfishness and unbridled enthusiasm for a company that is progressing through their united efforts. A corporation is supposed to be cold and inanimate, but to the Junior Executives, McCormick and Company is pulsating with life and energy, a breathing, living being, controlled by the ideas of the men behind it.

This is a changing world, and if the company is to progress it is our duty to keep in touch with the modernization of business methods. Careful thought is given to plant equipment and supervision, methods of manufacture and delivery, and above all the marketing of our products so that our methods and operations will be as modern and up-to-date as possible. For that reason every suggestion is given the utmost consideration and is discarded only when proved to be not feasible at that time. Our recommendations have to be unanimous and then passed to the Senior Board for their acceptance.

We list some of the accomplishments of this Junior Executive Board.

A model grocery store has been set up in the general offices so that the packages may be studied from the consumer's viewpoint. It is visited by several thousand retail grocers every year, and shows them that an attractive, inviting store can be arranged at moderate cost.

Redesigning and repackaging of extracts, spices, and other food products has been done from time to time. Typical example—changing from the traditional tall thin paneled extract bottle to the practical wedge-shaped broad base bottle with finger tip indentations.

Rearrangement of the general offices so that they are more practical for the work being done. Order department completely revamped, the newer methods making it possible to ship every order the day it is received.

Ten-minute rest periods for the employees twice daily, morning and afternoon, at which time McCormick's tea is served without charge.

A minimum wage of $16.00 weekly for all factory employees.

A week's vacation with pay to all factory employees.

Introduction of the sponsor-protege system. Every young man coming into the office is given a Junior Executive for a sponsor. The purpose is twofold: it enables the new employee to find himself more quickly and at the same time the Junior Executives are able to determine the employee's future possibilities.

Much more could be written, but this will give you an idea as to what can be done when sixteen men are let loose with instructions to improve the business.

But what benefits did the credit department derive from the organization of the Junior Executives? When you are in contact with a group of men who are constantly thinking of ways to improve, you become imbued with the spirit, and naturally the first thought is of your own department. When others talk of modernizing, you visualize ways and means of bringing your department up-to-date.

In that year, 1932, our bad debts losses were fairly large, not out of proportion, but they had reached a figure that was not entirely satisfactory. The work was surveyed and redistributed, each man being directly responsible for the accounts under his supervision. Continuous and improved follow-up of all past due accounts was introduced, with salesmen getting copies of correspondence so that they were familiar with the old accounts. New statement forms were secured so that each month the division managers as well as the retail salesmen knew the status of all accounts in their territory. Surprising improvement was noticed immediately, but the results for 1936 show definitely what can be done with a planned program.

Our sales for this year show a marked increase over those of 1932, while the bad debts have declined to *less than one-third!!* But this was not the only accomplishment. Fewer orders were held for credit reasons than in any previous year. The credit department is definitely responsible for some of the increase in business, and at the same time the sales department rates a bow for its cooperation in keeping the accounts in line.

If you are interested in this Junior Board of Directors idea, a booklet concerning it will be sent free, postpaid. Just send your name and address to the author of this article, c/o The McCormick Sales Co., Baltimore, Md.

The sales and credit departments realized that the orders that are shipped are the orders that pay our salaries—not the ones that are held for credit. To this end, both departments have joined in educating our salesmen to this fact. The orders that were declined last year would be but a fraction of those in the same category in 1932.

A selling campaign was planned recently for a large city in which there was no distribution of our products. Before contacting any prospective distributors, the sales department requested the credit department to give them a list of those companies whose credit would warrant the shipping on open terms. These names were given and *every one of them was sold and shipped!!* No lost motion, no time wasted, and above all no disagreeable reaction because some orders were not shipped.

This is one company where the proverbial feuds between the sales and credit departments have no place. At times it is to our best interests to carry large inventories of raw materials. The purchasing department will discuss this phase at the monthly meeting. It is then possible for us to keep in touch with the movement of raw materials so that proper financing can be made. Then again, through the various discussions the credit department learns what items are not moving and what items are being pushed in order to increase the sale. Orders that come within these categories are given careful attention by this department and frequently are passed, whereas, not knowing the circumstances, the possibilities are they may have been turned down.

The credit department of this company feels that it is extremely fortunate to be represented at these meetings, receiving information covering the business from every angle. In this way, you gain a perspective of the business as a whole, an experience vitally important to an executive of any company.

Is this Junior Executive idea something that we wish to keep hidden from the world? Praise be—no! When this idea clicked with our company others began to ask questions. As a result the plan has been widely publicized and widely followed. To date fourteen business organizations in England, fourteen in Canada, and over fifty in this country have organized their own Junior Executives. I would like to quote from a letter recently received from an executive of an outstanding tea and coffee house.

"I should like to tell you that on my return to England, after visiting you in Baltimore last year, we adopted the Junior Board of Directors idea in our own business, and the results have been most satisfactory . . . It has meant that other members of the staff are taking a keen interest in the running of the business and useful ideas have been incorporated which otherwise would have been shelved . . . I am convinced that if this principle was adopted generally it would make for better business efficiency."

Here is an idea, (*Cont. on page* 35)

The business thermometer:

Wholesalers' sales and collections rose in September over last year's figures.

Manufacturers' sales also were better but collections showed a slight decline.

Wholesalers

The dollar volume of wholesale trade increased about 7 percent during September as compared with September, 1936, and the rate of collections on accounts receivable was slightly higher than last year, according to reports from wholesalers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce.

Without adjustment for seasonal influences September, 1937, sales registered an increase of almost 8 percent from August of this year. The collection rate was down slightly from last month.

All but four of the trade groups shown in this report recorded sales increases over last September. The electrical goods and industrial supplies trades showed the greatest gains with sales increases of 27 percent and 25 percent respectively. Other increases ranged down to the 1½ percent gain shown for the metals group. The sales of dry goods, heavy hardware, and paints and varnishes declined moderately while shoes and other footwear registered a loss of about 11 percent.

Sales in the East North Central and Mountain regions were about 12 percent above last September, considerably ahead of the United States average. While all regions reported increases, the West North Central and East South Central regions, both with a gain of not quite 2 percent, were the only areas with below-average increases.

The rate of collections on accounts receivable for all trades was slightly higher than last September according to reports from 971 wholesalers, but was practically the same as during August, 1937.

Nine of the 22 wholesale groups for which collection rates are shown had a higher average collection percentage for September, 1937, than for September, 1936. The greatest relative increase in collections from a year ago was registered by the metals trade.

The highest collection percentage for September, 1937, was shown by the meats and meat products group, the median collection figure being 141.1 percent, followed by the 114.4 collection ratio shown for distributors of farm products.

Manufacturers

Manufacturers sales showed a gain of about 11 percent during September, 1937, as compared with September, 1936, while the rate of collections on accounts receivable decreased slightly according to reports from manufacturers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce, Department of Commerce.

Without adjustment for seasonal influences, September, 1937, sales were almost 4 percent higher than for August, 1937, but the rate of collections was somewhat lower than last month.

All of the industry groups represented in this study recorded gains over last September, the largest being shown for the machinery group with an increase of 25½ percent, followed by the rubber products group with a gain of about 22 percent. Other group gains ranged down to the 3 percent increase registered for leather and its products. However, slight declines were reported by the wall paper and knit goods industries and a loss of 13 percent was shown for manufacturers of flour, cereals, and other grain mill products.

Percentages of collections on accounts receivable submitted by 520 manufacturers for September, 1937, averaged somewhat less than for both September a year ago and August of this year. During September this year, the manufacturers reporting collected 77.0 percent of their accounts receivable outstanding on the first of that month as compared with 78.8 percent collected during September of last year and 78.9 percent during August, 1937.

Only six of the 14 industry groups shown reported a higher average collection percentage for September, 1937, than for September, 1936. The greatest relative increase in collections between these periods was registered by the printing and publishing industry.

The highest collection percentage was reported by the confectionery industry, the ratio for September, 1937, being 143.0 percent. This was followed by the meat packing industry with a collection ratio of 140.0.

Detailed figures are presented in the following tables and charts:

WHOLESALERS sales and collections on accounts receivable
September 1937

Kinds of business	Number of firms reporting sales	Sales reported					Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month		
		Sept. 1937 percentage change from:		Thousands of dollars				Median percentages		
		Sept. 1936	Aug. 1937	Sept. 1937	Sept. 1936	Aug. 1936		Sept. 1937	Sept. 1936	Aug. 1937
Automotive supplies	61	+ 9.7	+ 3.1	2,249	2,051	2,181	38	67.0	64.5	65.0
Clothing and furnishings, except shoes	20	+11.6	+20.5	2,801	2,509	2,324	10	37.8	43.2	42.9
Shoes and other footwear	40	−11.1	+16.1	15,896	17,876	13,692	20	39.5	44.2	38.0
Drugs and drug sundries	130	+13.2	+16.7	23,211	20,509	19,893	109	77.2	78.3	76.4
Dry goods	78	− 1.7	− 2.7	17,056	17,355	17,529	45	40.8	46.0	43.1
Electrical goods	152	+27.3	− 0.7	14,332	11,258	14,437	128	70.9	66.1	72.0
Farm products (Consumer goods)	21	+ 2.8	+ 4.9	2,418	2,353	2,305	21	114.4	115.0	106.0
Furniture and house furnishings	29	+ 6.7	+13.6	3,456	3,238	3,043	22	54.8	59.0	52.6
Groceries and foods, except farm products	229	+ 7.1	+ 9.2	32,409	30,255	29,686	175	102.1	100.0	101.0
Meats and meat products	17	+14.4	+ 8.6	9,056	7,916	8,338	15	141.1	125.1	150.0
Total Hardware group**	295	+10.5	+ 5.2	25,036	22,660	23,808	240	57.4	57.8	57.0
General hardware	117	+ 8.1	+ 6.9	16,362	15,139	15,304	100	49.8	49.8	50.2
Heavy hardware	19	− 2.9	− 9.7	1,327	1,367	1,470	18	69.1	67.2	68.9
Industrial supplies	67	+25.2	+ 2.9	2,465	1,969	2,396	60	66.8	65.3	71.2
Plumbing and heating supplies	92	+16.7	+ 5.3	4,882	4,185	4,638	62	59.1	59.2	58.2
Jewelry and optical goods	18	+17.4	+59.2	1,199	1,021	753	—	—	—	—
Leather and shoe findings	12	+ 7.5	+15.8	257	239	222	10	42.5	41.0	38.0
Lumber and building materials	15	+ 4.7	+ 2.1	1,363	1,302	1,335	15	64.0	68.0	67.0
Machinery, equipment and supplies, except electrical	20	+18.1	− 8.6	2,439	2,066	2,669	18	70.0	68.4	66.3
Metals	10	+ 1.4	− 1.4	496	489	503	10	80.7	70.3	75.2
Paints and varnishes	9	− 4.9	+ 1.9	368	387	361	8	57.5	62.5	67.9
Paper and its products	61	+ 7.9	+ 9.7	4,511	4,182	4,113	40	71.0	71.9	73.1
Tobacco and its products	10	+ 2.2	− 2.4	842	824	863	9	102.0	106.0	99.0
Miscellaneous	34	+ 5.1	+ 5.7	8,264	7,864	7,817	38	79.0	78.6	75.4
Total	1,261	+ 7.2	+ 7.6	167,659	156,354	155,872	971	69.8	68.4	71.0

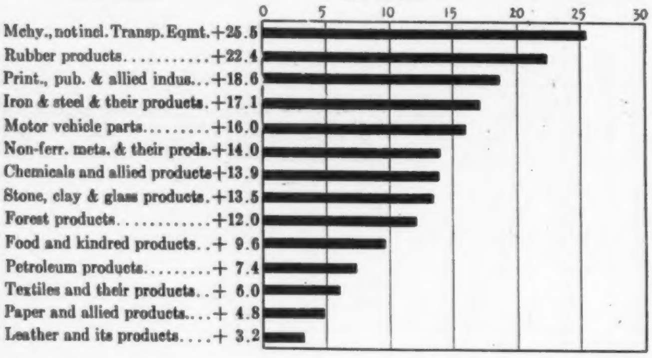
*These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month. The wide differences existing between the percentages for various kinds of business are due principally to variations in terms of sales.

**Related items in the hardware field are being shown separately and by totals. Information is now being collected and shown for distributors of industrial supplies. This heading also includes distributors of mill, mine and steam supplies.

MANUFACTURERS sales and collections on accounts receivable
September 1937

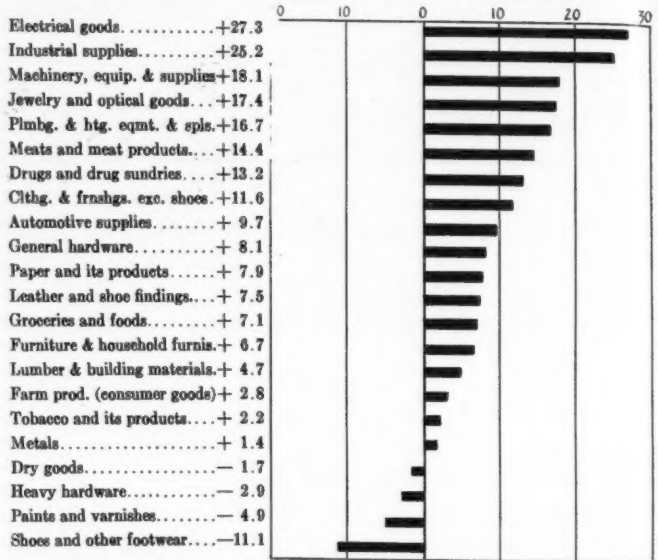
Industry	Number of firms reporting sales	Sales reported					Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month		
		Sept. 1937 percentage change from:		Thousands of dollars				Median percentages		
		Sept. 1936	Aug. 1937	Sept. 1937	Sept. 1936	Aug. 1936		Sept. 1937	Sept. 1936	Aug. 1937
Food and kindred products, total	120	+9.6	+26.8	33,577	30,627	26,477	87	103.0	101.0	102.0
Confectionery	40	+17.0	+104.8	4,949	4,231	2,417	9	143.0	130.0	113.0
Flour, cereals, and other grain mill products	15	−13.1	+20.3	6,459	7,432	5,368	15	125.0	118.4	112.0
Meat packing	14	+ 2.7	− 7.9	4,787	4,659	5,195	14	140.0	135.5	150.0
Textiles and their products, total	71	+ 6.0	+ 3.2	18,480	17,434	17,904	69	59.4	63.7	66.0
Clothing, men's, except hats	15	+ 5.1	+ 3.1	3,545	3,374	3,439	15	58.2	68.0	53.1
Clothing, women's, except millinery	16	+ 9.2	− 4.5	2,473	2,264	2,590	15	68.0	63.1	68.0
Knit goods	12	− 1.1	+10.2	2,830	2,862	2,568	13	55.8	62.2	66.6
Forest products, total	32	+12.0	+ 6.2	2,636	2,354	2,482	31	57.2	64.9	60.0
Furniture	22	+14.3	+10.6	1,895	1,658	1,713	21	59.0	67.0	63.0
Lumber, timber and other miscell. forest products	10	+ 6.5	− 3.6	741	696	769	10	53.8	64.6	56.6
Paper and allied products, total	61	+ 4.8	+ 4.2	8,696	8,297	8,346	51	89.0	86.0	84.9
Paper, writing, book, etc.	13	+ 1.6	− 4.1	3,286	3,233	3,426	12	93.1	89.5	87.2
Paper boxes and other paper products	30	+ 8.6	+ 5.4	4,599	4,235	4,365	27	92.3	90.2	92.1
Wall paper	18	− 2.2	+46.1	811	829	555	12	33.0	29.9	30.1
Printing, publishing and allied industries	11	+18.6	+17.9	1,803	1,520	1,529	11	63.0	60.0	60.0
Chemicals and allied products, total	41	+13.9	+12.6	9,994	8,776	8,874	43	65.4	67.0	63.0
Paints and varnishes	17	+ 1.6	− 6.7	2,208	2,174	2,367	17	66.6	63.1	63.0
Pharmaceuticals and proprietary medicines	14	+16.1	+25.7	3,441	2,964	2,737	15	61.0	65.9	58.5
Petroleum products	14	+ 7.4	− 3.4	57,073	53,154	59,057	14	78.8	85.6	78.8
Rubber products	6	+22.4	− 6.5	1,948	1,591	2,084	6	76.2	75.8	77.5
Leather and its products, total	29	+ 3.2	−10.4	10,267	9,951	11,451	28	67.0	63.9	45.5
Boots and shoes	19	+ 3.9	−10.5	8,420	8,105	9,411	18	39.3	43.8	40.6
Stone, clay and glass products	18	+13.5	+ 1.1	8,484	7,475	8,395	23	74.0	79.1	75.0
Iron and steel and their products, total	52	+17.1	+ 4.9	38,509	32,894	36,693	52	88.7	87.5	90.0
Hardware	11	+ 5.6	− 2.8	2,950	2,794	3,034	11	82.0	85.0	77.0
Stoves, ranges and steam heating apparatus	8	+25.3	+17.6	1,881	1,501	1,600	8	94.6	93.8	88.1
Other iron and steel products	33	+17.8	+ 5.1	33,678	28,599	32,059	33	88.9	87.5	91.0
Non-ferrous metals and their products	13	+14.0	− 3.9	6,005	5,268	6,250	14	74.0	77.6	71.6
Machinery, not including transportation equipment, total	47	+25.5	+ 3.5	31,070	24,765	30,028	47	78.7	77.0	78.0
Electrical machinery, apparatus and supplies	17	+29.8	+ 0.8	21,972	16,930	21,788	20	86.2	87.8	82.3
Other machinery, foundry products	30	+16.1	+10.4	9,098	7,835	8,240	27	73.0	68.0	69.0
Motor vehicle parts	12	+16.0	− 6.3	4,013	3,460	4,285	11	91.0	93.3	91.0
Miscellaneous industries	35	−12.1	− 3.3	6,574	7,481	6,797	33	75.0	78.0	71.0
Total	562	+11.2	+ 3.7	239,129	215,047	230,652	520	77.0	78.8	78.9

PERCENTAGE OF CHANGE IN SALES OF 562 MANUFACTURERS IN 14 INDUSTRIES, SEPT. 1937 COMPARED WITH SEPT. 1936



Source: Marketing Research Division, Bureau of Foreign and Domestic Commerce

PERCENTAGE OF CHANGE IN SALES OF WHOLESALERS IN 22 KINDS OF BUSINESS, SEPT. 1937 COMPARED WITH SEPT. 1936



Source: Marketing Research Division, Bureau of Foreign and Domestic Commerce

WHOLESALERS' sales and collections on accounts receivable by geographic regions September, 1937

Kind of business and region	Number of firms reporting sales	Sales reported: Sept. 1937 percentage change from: Sept. 1936	Aug. 1937	Thousands of dollars: Sept. 1937	Sept. 1936	Aug. 1937	Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month — Median percentages: Sept. 1937	Sept. 1936	Aug. 1937
New England	57	+ 5.0	+13.5	5,099	4,857	4,494	53	68.3	66.1	69.2
Electrical goods	12	+ 8.3	+ 0.5	1,094	1,010	1,089	11	68.3	66.1	69.2
Industrial supplies**	9	+10.1	+ 2.5	164	149	160	8	65.4	66.5	72.4
Middle Atlantic	272	+ 8.3	+11.3	333,022	30,492	29,667	176	64.2	61.6	69.3
Shoes and other footwear	12	+ 3.8	+24.0	2,085	2,008	1,681	—	—	—	—
Drugs and drug sundries	19	+13.0	+19.2	4,658	4,123	3,908	18	74.8	72.3	74.6
Dry goods	18	— 6.0	+ 7.8	1,250	2,393	2,088	—	—	—	—
Electrical goods	21	+16.8	— 6.6	2,063	1,767	2,208	21	64.2	61.3	73.2
Groceries and foods, except farm products	43	+ 4.7	+ 9.9	5,877	5,614	5,350	31	98.9	89.0	97.6
General hardware	25	+ 7.4	+ 9.4	2,092	1,948	1,912	21	45.0	42.8	42.7
Industrial supplies**	17	+ 2.7	+ 6.8	426	415	399	13	67.7	60.0	72.4
Plumbing and heating equipment and supplies	35	+15.3	+11.6	1,296	1,124	1,161	20	57.1	58.0	54.1
Jewelry and optical goods	14	+18.7	+74.0	959	808	551	—	—	—	—
Paper and its products	21	— 0.3	+ 2.8	1,486	1,490	1,445	—	—	—	—
East North Central	225	+12.0	+ 7.7	31,730	28,320	29,463	184	73.5	73.7	76.4
Drugs and drug sundries	22	+14.1	+12.8	3,490	3,060	3,095	15	95.5	90.0	91.7
Dry goods	10	+ 6.4	+28.9	1,692	1,590	1,313	9	38.5	44.7	43.1
Electrical goods	34	+36.3	— 7.5	4,730	3,471	5,115	23	65.8	64.6	65.1
Groceries and foods, except farm products	59	+ 6.0	+ 9.3	9,419	8,883	8,616	48	101.5	94.6	100.7
General hardware	19	+13.1	+14.0	4,835	4,274	4,243	15	50.3	53.9	54.1
Industrial supplies**	10	+116.1	+10.9	711	329	641	9	67.8	79.5	61.3
Plumbing and heating equipment and supplies	8	+31.9	+10.6	596	452	539	8	62.6	56.9	59.8
Paper and its products	16	+ 6.6	+ 4.6	1,575	1,478	1,506	16	71.0	73.5	73.6
West North Central	184	+ 1.7	+ 7.8	38,951	38,318	36,132	147	69.0	68.7	69.0
Automotive supplies	10	— 4.3	+20.4	201	210	167	7	72.6	67.5	72.6
Shoes and other footwear	8	—15.7	+17.8	10,285	12,194	8,730	—	—	—	—
Drugs and drug sundries	15	+13.2	+15.2	2,612	2,307	2,268	14	87.6	82.0	89.2
Dry goods	8	— 0.2	—12.3	6,303	6,316	7,190	6	38.7	43.3	40.5
Electrical goods	18	+52.6	+26.7	2,086	1,367	1,646	18	59.6	60.1	63.2
Groceries and foods, except farm products	37	+ 9.2	+ 8.7	5,543	5,074	5,100	26	109.0	108.8	103.5
General hardware	12	+ 9.0	+ 6.8	2,392	2,194	2,239	11	39.8	43.0	46.2
Industrial supplies**	12	+12.3	+ 6.5	392	349	368	12	68.0	67.8	70.9
Plumbing and heating equipment and supplies	15	+14.5	+13.0	695	607	615	13	59.2	67.1	57.5
South Atlantic	151	+ 9.1	+ 7.9	14,100	12,923	13,070	121	70.0	67.5	70.6
Drugs and drug sundries	21	+15.2	+13.3	1,996	1,733	1,762	17	79.0	76.0	78.0
Dry goods	10	+ 5.0	+25.7	1,793	1,708	1,426	7	40.4	41.4	42.5
Electrical goods	21	+29.5	+ 8.1	1,176	908	1,088	21	78.0	70.6	76.1
Groceries and foods, except farm products	24	+ 8.1	+ 8.9	1,836	1,698	1,686	18	104.5	110.1	109.2
General hardware	21	+ 7.8	+16.3	1,499	1,391	1,289	20	45.7	50.2	45.6
Industrial supplies**	9	+ 5.9	— 5.4	505	477	534	8	58.9	64.1	60.7
Plumbing and heating equipment and supplies	18	+11.5	+13.3	940	843	830	7	56.7	52.0	56.9
East South Central	54	+ 1.6	+ 5.3	6,597	6,490	6,267	41	68.4	67.5	68.1
Drugs and drug sundries	15	+ 3.4	+21.4	2,034	1,967	1,675	12	65.7	59.6	62.0
Groceries and foods, except farm products	10	— 0.5	+ 5.8	570	573	539	7	97.5	90.0	80.6
West South Central	106	+ 8.5	+ 3.6	11,359	10,467	10,963	71	71.7	75.1	71.6
Drugs and drug sundries	16	+21.9	+22.4	2,458	2,016	2,008	15	78.6	79.8	75.9
Dry goods	11	— 6.8	—13.2	2,141	2,296	2,466	—	—	—	—
Electrical goods	21	+41.2	+ 3.7	583	413	562	10	71.2	70.7	71.6
Groceries and foods, except farm products	26	+ 4.8	+12.4	3,416	3,258	3,038	20	101.0	97.5	90.2
General hardware	14	+18.5	+12.5	1,174	991	1,044	12	51.5	52.9	52.3
Pacific	172	+ 8.8	+ 4.1	21,662	19,913	20,811	143	69.2	70.0	67.5
Automotive supplies	34	+ 2.8	+ 1.5	957	931	943	18	70.0	64.7	66.7
Shoes and other footwear	7	— 1.4	—16.4	275	279	329	6	45.5	43.0	43.5
Drugs and drug sundries	10	+10.3	+17.3	4,114	3,729	3,507	9	71.0	93.0	73.0
Dry goods	12	+ 0.9	— 6.9	1,599	1,585	1,718	11	58.0	54.5	53.8
Electrical goods	20	+12.4	— 4.4	2,285	2,033	2,390	19	71.2	73.1	72.7
Furniture and house furnishings	11	+19.8	+22.8	1,259	1,051	1,025	10	57.0	62.4	63.2
Groceries and foods, except farm products	19	+ 9.8	+ 6.8	3,537	3,222	3,311	16	118.2	116.6	103.1
General hardware	12	— 1.0	— 2.8	2,876	2,904	2,959	11	53.9	56.8	50.8
Plumbing and heating equipment and supplies	10	+13.7	— 6.4	763	671	815	9	72.3	73.4	69.1
Paper and its products	8	+50.6	+69.8	708	470	417	7	69.7	70.0	76.8

*These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month. The wide differences existing between the percentages for various kinds of business are due principally to variations in terms of sales.

**Related items in the hardware field are being shown separately and by totals. Information is now being collected and shown for distributors of industrial supplies. This heading also includes distributors of mill, mine, and steam supplies.

H. E. Kay, General Credit Manager, Industrial Brownhoist Corp., Bay City, Michigan, discusses

Sound credit policies for machinery manufacturers

The total of the credit losses sustained by American business for 1936 is an appalling figure. Despite the vigilance on the part of members of the National Association of Credit Men during the past forty years and the untiring efforts of this organization to help guard the nation's profits, it is a well known fact that credit abuses still abound. Furthermore they are likely to increase materially with increasing volume of business.

Taking into consideration the keen competition which is prevalent among machinery manufacturers and the constantly increasing taxes of all descriptions, the importance of sound credit and financial policies is magnified. Whether your company finishes the year 1937 with a satisfactory net profit or not *may* depend entirely upon the record made by your credit department.

In the writer's opinion, the *primary function* of the credit department is to *assist the company to make a profit.* If in proper balance *its work will be constructive* rather than deterrent, whether it be in the matter of extending credit or making collections. In order to properly perform this function the personnel of the credit department must be sufficiently broad-minded and alert to profit by mistakes of the past and to benefit by experiences of others. By exercising the keenest judgment possible, orders offered to the firm must be so selected that the result will be *maximum profit with minimum losses.* Naturally, at times it will be necessary to *take some risk* where the conditions existing at the time seem to justify it.

One of the most important phases in the credit department's work is *to promote good will among customers.* This can be accomplished by fair action and a friendly attitude toward all, whether or not the customer be considered a particularly high grade credit risk. Tact must be used in the handling of such matters as credits for returned material or special allowances due to customers, and every effort made to see that the customer is entirely satisfied.

In order to carry out a sound credit and collection policy, the credit department must come under the jurisdiction of the Treasury Department and not be dominated by the Sales Department. However, it is vital that the closest cooperation be maintained with the sales department and it is believed that if each department would cultivate a better understanding of the problems of the other, many of the difficulties which have developed in the past could be eliminated.

While it should be clearly understood that the decision of the credit department is to be accepted as final, there should be perfect freedom on the part of the sales department to offer any suggestions possible on any particular credit or collection problem which may arise. The credit department should also realize the need for furnishing concrete evidence as a basis for any credit decisions which might appear unfavorable or too severe on the face of them. Any information which the sales department can secure which would have a bearing on the matter of credit extension to any prospect or customer, should be promptly furnished to the credit department. This applies whether the information be favorable or unfavorable.

All inquiries should be referred first of all to the credit department. Whenever inquiries originate in a branch sales office or agency, it is important that the personnel in charge of the office give the exact name and complete address of the main office of the prospect or new customer. Where the amount involved in the inquiry or order warants it, a careful and thorough investigation should be made as to the credit responsibility involved.

Some of the sources of credit information available are as follows:

1. Credit ratings in Mercantile Agency reference books. (Useful only as a General Guide.)
2. Special credit reports showing antecedents, financial information and operating record.
3. Credit interchange reports issued by the National Association of Credit Men, showing actual paying record in different markets and industries, based on reports of creditors.
4. Financial statements direct from customers or prospects.
5. Direct credit inquiries to trade or bank references furnished by customer or obtained from other sources by the salesman.
6. Special check-up by contacts with other credit men.
7. Salesman's reports.

The statement has been made that *"Poor information, not poor judgment, is the cause of most credit losses."* Consequently if a sound credit policy is to be maintained, it is vital that all the important credit information be secured. The cost of complete credit reports is negligible compared with credit losses. Yet there are thousands of firms who are still operating on the "Penny wise-pound foolish" basis and

placing their credit departments at a tremendous disadvantage by limiting their budgets for credit services and education.

After all of the available facts are gathered together and a clear picture is obtained of the prospect's past record, many other factors must be taken into account. The condition of the industry involved and its immediate prospects is an important consideration. General business conditions will necessarily influence the credit executive in making his decision as to proper terms to be granted. Certainly no fixed rules can be laid down as to the basis for credit extension and it is up to the credit man to forecast as accurately as possible the customer's ability to pay in accordance with the terms which are being granted.

One of the most flagrant credit abuses that has developed in recent years is the practice of selling on extremely long-terms with too small a down payment. Invariably such terms are sought by irresponsible individuals or concerns and transactions often terminate with repossession of the equipment and consequent loss and annoyance to the seller. By using greater care in accepting orders on the deferred payment plan, requiring a reasonably substantial down payment, liquidation within a fair period and strict adherence to the original terms, this type of business can prove profitable.

When a customer has once been obtained by the sales department it is the credit department's responsibility to keep posted as to any improvement or retrogression from a credit standpoint which he may show. On all concerns which are not in the upper brackets a limit should be established as to the line of credit which will be extended.

The National Association of Credit Men Credit Interchange Reports are invaluable in keeping closely in touch with the customer's progress. Whenever a salesman secures information as to development which might result in a customer with a limited line of credit wishing to place a large order, this information should be promptly reported to the credit department. This will enable them to bring their files strictly up to date so as to be in a position to intelligently pass on the credit when the inquiry or order is formally submitted.

In order to avoid any friction between the credit and sales departments as well as ill feeling on the part of customers, it is considered advisable to consult with the sales department before actually withdrawing credit. Sometimes it may be possible by means of direct contact between the salesman

Mr. H. E. KAY, the author of this article, was chairman of the Group Sessions of the Machinery Manufacturers' Group at the 42nd Annual N. A. C. M. Convention and Seventh Credit Congress of Industry in Chicago during the week of June 21, 1937.

and the customer to continue a limited line of credit and obtain prompt payment even where a credit report indicates a poor paying record.

However, the sales department must bear in mind that the credit department is often in possession of information which indicates rather clearly the likelihood of financial shipwreck by certain customers. Good judgment is required to know at just what point credit should be withdrawn and tact must be used in notifying the customer of the need for such action.

The credit department should maintain a systematic follow-up of all past due accounts, regardless of the credit standing or size of the customer. Naturally the methods used will differ widely, but it should not be necessary to apologize to any concern or individual for asking for payment of an account that is past due in accordance with the terms of sale, where there is no complaint involved. The first few reminders will, of course, be mild in tone and simply make a straight-forward request for payment of the past due account. Printed forms or form letters individually typed very often prove effective and simplify the collection procedure to a great extent in its early stages.

Assuming terms of "net cash thirty days", when an account becomes forty-five days past due it should be given personal attention by the credit executive. At that time credit files should be consulted and brought up to date if necessary. All of the facts bearing on the account should be carefully studied and a definite line of approach decided upon. At this point the question of future credit may be injected, or the fact that reports indicate other creditors being paid more promptly. There may be an appeal made in the "sense of fair play" or moral obligation or the desire to avoid trouble in cases of small concerns where their paying habits generally appear to be none too good. If the proper appeal is made, most accounts will be collected before they are sixty days past due, provided reasonable care has been used in the original extension of credit.

When an account becomes as far past due as 75 or 90 days, it will probably be necessary to make the tone of the letters much more severe, except in cases of concerns whose credit standing is known to be satisfactory. Very often the mention of the possibility of placing the account for collection with some outside organization will bring the desired results with payment direct. The suggestion of this action should not be made, however, unless it is definitely known that the concern is in a weak financial condition or extremely slow in retiring the majority of their obligations.

Where it is necessary to handle collections from a distant point, it is often possible to obtain valuable assistance through the salesmen working in the territory. Ordinarily salesmen should not be called upon to make collections, but there may be unusual cases where

Character

Almost a quarter century has elapsed since the following testimony was made by J. Pierpont Morgan in 1913 during the "money trust" investigation.

But it is as applicable today as it was then; and will be tomorrow as it is today:

Counsel: **Commercial credits are based upon the possession of money or property?**

Mr. Morgan: **Money or property or character.**

Counsel: **Is not commercial credit based primarily upon money or property?**

Mr. Morgan: **No, sir; the first thing is character.**

Counsel: **Before money or property?**

Mr. Morgan: **Before money or anything else. Money cannot buy it.**

they could render valuable assistance in suggesting to the credit department the best procedure to be followed, or even contacting the customer.

No matter how much care or good judgment is exercised on the part of the credit executive, it is impossible to forecast with 100 per cent accuracy in every case. Usually if a customer is going to pay his account voluntarily he will do so before it is 90 days past due. If this is not accomplished it would probably be advisable to place the account in the hands of a recognized Adjustment Bureau of the National Association of Credit Men. These bureaus do not employ the "strong-arm methods" which are commonly used by a great many collection agencies, but are very often able to collect the account in full and retain the customer's good-will. The small collection expense involved is trivial as compared with the possible entire loss of the account if action is not taken promptly.

The credit department should keep closely in touch with the volume of sales as compared with the quotas, where such have been established. It should be anxious to do its share of the work by making collections from concerns which may be of somewhat uncertain credit standing, rather than to turn down all orders from such customers, particularly when business volume is not up to normal capacity. It should endeavor to work out special terms on both equipment and large repair part orders on this type of company so as to enable the sales department to secure greater volume of profitable sales. It should endeavor to arrange long terms through high grade finance companies for customers who have a satisfactory credit standing, provided they are willing to pay the small financing charge involved.

In the revision of credit files it will often be noted that certain good customers have not made any purchases for some time. This information should be brought to the attention of the sales department, which in the rush of current business may have overlooked the fact. At times it is also possible for the credit department to be of assistance to the sales department in the matter of reciprocity.

Through the adoption of a sound credit policy, bad debt losses may be greatly reduced, thus definitely increasing the company's net earnings. By a more rapid turnover of notes and accounts receivable, less working capital need be tied up in these items, leaving a much improved cash position and avoiding the need of borrowing money to finance current operations. The sales department will probably be surprised to see how *few desirable orders* will ever have to be turned down for credit reasons. With the importance of the good will of the customers constantly in mind, irritations due to credit decisions or collection methods will be few. If a systematic and intelligent collection follow-up is carried out, it will seldom be necessary to place accounts for collection with outside organizations.

If the reader of this article should happen to be a managing or sales executive who has been skeptical about the value of a real credit executive in your own particular business why not put these sound credit policies to the test for the year 1937 and see if they are not justified?

Affiliation with the National Association of Credit Men is of untold benefit to the Credit Executive. The leading firms in all lines of business are enthusiastic supporters of this organization which is the second largest business organization in the United States. The membership numbers 20,000 manufacturers, Wholesalers and Bankers. Once each year the most active members of this organization meet in Convention and for the past six years there has been held in conjunction with this Convention the Credit Congress of Industry.

These meetings were held in Chicago, June 21st to 24th inclusive and the afternoons of the first three days were occupied with meetings of various industry groups. The writer as Chairman of the Machinery Manufacturers' Group found, in making a very careful study, that Machinery Manufacturers as a whole are not properly represented in the National Association of Credit Men, although the leading firms are strong supporters.

Due to a very determined effort prior to the Convention, in which the three Vice Chairmen of the group cooperated splendidly, approximately eighty firms were represented in the group meeting. Among those attending were a number of representatives of firms who are not members of the Association, but who became interested due to the program submitted to them of these group meetings. Some very interesting discussions were held on vital credit subjects, as well as helpful talks given.

A substantial number of those attending agreed to co-operate in a definite movement to get many more firms interested in the work of the Association and the use of its various services.

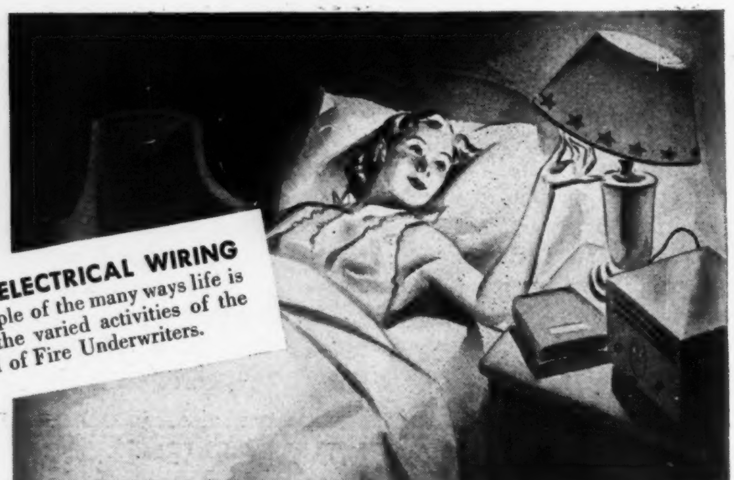
A fairly detailed report of the conclusions of these group meetings has been prepared and a copy may be obtained for the nominal price of One Dollar from the author of this article.

"...and all is well"

The subject of this advertisement is something about which most people know very little . . . yet it affects the welfare of every man, woman and child in America. You cannot see it . . . yet it watches over you every moment of the day and night. It has no substance . . . yet it is the basic foundation of homes, stores and factories. It generates no power . . . yet it makes trains move and ships sail. It has no political authority . . . yet without it, business and industry would be halted within the week.

The only tangible evidence of this invisible force is a slip of paper . . . your capital stock company fire insurance policy,* your dependable protection against financial loss by fire. More than thirty million such pieces of paper insure over one hundred and fifty billion dollars worth of American property.

But, protecting property-owners from financial loss in case of fire is only half the story! Do you know that the 200 capital stock fire insurance companies comprising the National Board of Fire Underwriters constantly work to prevent fire . . . to prevent loss of life and property? Do you know that it is due to the whole-hearted cooperation developed between this group and the



APPROVED ELECTRICAL WIRING is but one example of the many ways life is made safer by the varied activities of the National Board of Fire Underwriters.

What the insurance premium buys

Cost of insurance to the public depends upon the losses and expenses of the companies which write it.

If losses remain stationary, a reduction in expenses will result in lower insurance cost. If by increasing expenses slightly losses are materially reduced, the cost to the public goes down.

Insurance companies long ago recognized the fact that many of the operations necessary in the conduct of their business can be performed better and more cheaply by organizations which serve many than by each company acting for itself, "The New York Journal of Commerce" points out.

As a result the making of insurance rates of most classes, other than life, accident and health, is now done by organizations. States which exercise supervision over rates usually require every insurance company to subscribe to the service of the rating organization for each class of business it transacts and to observe the rates filed by these organizations when they have been approved by the supervisory authority.

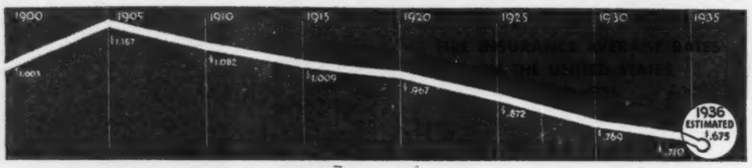


Chart from Natl. Board of Fire Underwriters

Insurance companies also learned that they could reduce their losses by the expenditure of some money in preventing them. They formed organizations to give engineering advice, to study means of preventing fires and accidents, to inspect risks and show how to improve them, to detect criminals who prey upon insurance companies and their policyholders, to educate the public in avoiding losses, to prevent detrimental legislation and excessive taxation and for various other purposes.

The great reduction in losses effected through these efforts has been reflected in lower insurance rates or in smaller increases in rates when losses rose through causes beyond the control of the insurance companies, such as liberalization of workmen's compensation laws and increase in automobile traffic.

Rates made by organizations are based upon the experience of the insurance companies generally rather than of a few and are, therefore, more generally accurate. Their required observance has largely reduced discrimination as between members of the public and has put a stop to the destructive competition which at an earlier date resulted in the failure of many insurance companies, with loss to those insured.

However, the making of rates by organizations has not subjected the insuring public to a "dull uniformity" with no means of escape. There are agents and brokers who know every legitimate way to reduce the cost of insurance or to secure for the assured the most for the premium he pays, through reducing the hazard, through having incorrect rates corrected, through drafting forms favorable to the assured and through selecting companies which perform services of value for their assured. What the assured gets in return for his premium depends in part upon his own selection of the person to whom he entrusts the handling of his insurance.

Farm labor

Farming in the United States is still primarily a family matter. In January 1935, according to census figures, less than 15 per cent of the farms employed hired labor and the average number of laborers on farms employing hired labor was only 1.7. This average, however, conceals the fact that a substantial proportion of farms employed hired labor in considerable number and, also, the fact that the census figures apply to January, which is, for the country as a whole, a month of low farm employment. This study is significant in view of the discussions regarding the exclusion of farm laborers from the various social security acts.

Pricing problems

(*Continued from page* 14) under certain circumstances, may be more cheaply created by the distributor than by the manufacturer. Sears, or Macy, or American Stores, or Marshall Field may be able to build consumer acceptance for 2 cents per dollar of sales while the national manufacturer must spend 3 cents. Particularly when private brands are given too little overhead by their makers, is this likely to be possible.

4. Liberal promotion costs, included in the original price of a product have sometimes never been deleted. Once the product has gotten on its feet, this extra has been taken as added profit, giving competitive merchandise a price advantage.

5. National brands are usually of good quality, sometimes of too great quality. In many cases, the consumer prefers lower quality and lower prices. The large scale retailers are quick to sense this and take advantage of the opportunity.

Tools are an excellent example. Ten years ago the national brands had sufficient quality to satisfy carpenters and skilled mechanics and were priced fairly, although the excellent workmanship made their cost high. It was the 5 and 10's which saw the real demand of the householder for inferior tools at a low price with which to putter around his home.

6. Competition costs money. It is more expensive to sell a thousand dollars worth of merchandise through fifty stores, each handling ten competitive brands than it is to sell a thousand dollars' worth of the same brand through five stores, each handling only one brand. Syndicates which have successfully introduced house brands come very close to the latter condition.

These six focal points of private vs. national brand competition fall into two groups. The first three occur because of the nature of competition. The second trio involve individual manufacturers and their sales policies.

Under the new competitive rules, the present evolution of distribution will continue with some modifications. Personally, I see the following trends:

(a) An effective, although possibly slower, weeding out of the inefficient.

(b) A general fall in the prices of national brands to meet private brands.

(c) A tendency for manufacturers to limit distribution to outlets with similar costs (cf. department stores).

(d) Systems of sales promotion where manufacturers give distributors a strong incentive to carry only one brand, or at most only a very limited number of brands.

(e) Manufacturers reaching out to control outlets, not necessarily through ownership and operation, possibly only by cooperative agreement.

(f) A significant increase in the amount of private brand business done by chains, department stores, and other large operators.

(g) A considerable, but far from universal, use of price contracts with minimum prices, except for very low turnover items from 5 to 20 per cent below full list prices.

(h) More stability in manufacturing and distribution with operation at narrower margins and great rewards for enhanced efficiency.

This month's collectors:

Submitted for the approval of our readers

by H. A. MULHOLLAND, Credit Manager, Calco Chemical Co., Bound Brook, N. J.

AUDIT LETTER—END OF YEAR

Gentlemen:

As it is fast approaching the time for our annual audit, we are particularly anxious this month to collect as many of the overdue accounts as we can in order to have our books in as good condition as possible for the auditors.

We are asking all our customers to cooperate with us in this respect and we believe you will too.

Your check, therefore, for $——— in prompt settlement of the ——————— invoices which are now ——— days past due, will be very much appreciated.

Thanks in anticipation.

Cordially yours,

Statement Enclosed.

by M. L. SILVERSTEIN, Credit Manager, Levey Brothers Shoe Co., New York

Gentlemen:

Fall orders are coming in from all territories with increasing momentum. Our salesmen are being welcomed by our old friends who know the snappy styles and fine grades of shoes we sponsor and distribute.

Our representative in your section will soon call on you with the largest line we ever displayed. We want to be in a position to give your order immediate attention, either shipping same at once or setting aside numbers you may select.

Co-operation is the keystone on which rests modern business. You are sure of our cooperation, may we have yours?

Now, then, please adjust your account before the end of the month, by mailing at once check for $———, in payment of ——————— invoices. It will be appreciated.

Yours for prosperity,

"I have always been interested in reading "This Month's Collection Letters," in CREDIT AND FINANCIAL MANAGEMENT, and hoping that some day I might write one that seemed worth while enough to send along to you," Mr. Mulholland writes us in submitting his letter.

"The attached letter, which for the sake of a better name I call my Audit Letter, I have used for two years in December on accounts fifteen to sixty days past due and found it pulls very well; returns averaging a little better than 50%.

"At the end of the year one can always push for collections a little harder without offending the customer, and there are very few corporations small or large who do not have an audit nowadays. Certain classes of debtors, I find, also make a special effort to pay old debts before the end of the year.

"I plan to send this letter as early in December as possible, so as to leave time for at least one or possibly two follow-ups before December 31st. The same letter can be used if desired in June, changing the words 'Annual Audit' to 'Semi-annual Audit.' "

Latin-American trade rivalries

(Continued from page 11)

With the possible exception of Argentina, there has been no intensive British trade drive in Latin America since 1932, beyond the continuing preoccupation of British industry in general with export markets. Recently, however, there has been evidence of a determination to foster markets by means of commercial agreements, which has possibly been inspired by the Hull trade program. Nevertheless, British industry is hard pressed to meet domestic orders, owing both to economic recovery and to the rearmament program, and temporarily at least it appears that Britain's competitive position has been weakened.

Thus, while American exports to Latin America rose 39.5 per cent in the first quarter of 1937, as compared with the same 1936 period, there was only a 16.8 per cent expansion in British sales to this market.

Following the spectacular rise in Japanese sales to Latin America during the early years of the depression, this country has encountered problems which have definitely checked further expansion, so that the gold value of exports to Latin America has remained constant for three years.

The initial factors in this situation were probably the loss of advantage resulting from currency depreciation when the United States abandoned gold, and the rise in world prices for industrial raw materials. In addition, Japan, probably to a greater extent than any other country, has faced restrictive measures in Latin America. This doubtless has been due in large part to the fact that Japanese purchases of Latin-American goods have been definitely limited, amounting in 1934—the peak year of Japanese competition—to only 0.4 per cent of total exports from this area.

Japan, moreover, has felt the growing competition of Latin-American industries, particularly in the case of simple textiles, and has thus far displayed no great capacity to meet American and British standards and prices in the case of high-quality manufactures. Finally, while the sharp rise in Japanese purchases since 1935 may induce Latin America to open markets for Japanese goods, potential gains appear to be decidedly limited.

The inroads made by Germany into Latin-American trade at the expense of the United States through use of the ASKI mark and compensation agreements cannot be minimized. The position of the United States, however, appears to be far stronger fundamentally, especially since increased exports from this country have not been stimulated by artificial measures and do not depend on a shift in normal trade relations.

Imports of American goods fluctuate with the economic cycle of the raw material countries, and the rise in Latin-American purchasing power currently in evidence may logically be expected to increase demand for American luxury goods to a greater extent than that for the staples furnished by Britain and the "price" goods of Germany and Japan.

Moreover, while Britain's competitive position is being weakened by home market demands and that of Germany depends on uneconomic measures, which can hardly be considered permanent, the productive capacity of the United States is neither strained by domestic requirements, nor is the normal flow of export trade fettered by political or monetary considerations.

New British export credits bill passed

Comparatively little attention has been paid to the progress through the British Parliament of the important bill which reached the staute book at the end of July extending the facilities of the Export Credit Guarantee Department.

The new measure changes the provisional character of the department and places it on a permanent basis, with an increase in its facilities to a limit of £50,000,000. It, moreover, abolishes the time limits which have hitherto prevented guarantees from being given after a certain date or for more than a limited fixed period, "The Eastern Underwriter" reports.

In the last few years the department's turnover has risen steadily, and since 1933-34, when the value of exports covered by guarantees were £7,-500,000, this for the year ended March 31 last amounted to £35,000,000 as the value of policies issued in respect of exports from the United Kingdom. The object of the department is to encourage exports by providing guarantees where heavy commercial risks are involved.

And still no check!

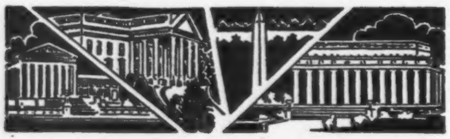
'Tis the 15th again—and still no check from him.
Darn.
I have begged, demanded, threatened.
Even appealed to his sense of honor.
I have been humorous, gay and witty, formal and dry.
have tried every emotion, the entire gauntlet of human passions,
And still no check.
One time, I took off my coat, rolled up my sleeves, opened my collar,
and played tear jerking melodies on my typewriter.
I wooed him like a lover, with flattering words.
I had a heart to heart talk with him.
As man to man, I pointed out the road to a better business life,
A heaven in which all accounts were paid on the tenth,
And no one ever had to receive a dunning letter (nor any one ever had to write one).
I appealed to his better self, his honor, and sense of fair play.
We had trusted him. He couldn't fail us. It was un-thinkable.
It wasn't American—neither was it cricket.
With a sigh of contentment over a job well done, I dispatched these letters,
Full of confidence, certain that his check would come rolling in with the next mail.
But I was doomed to disappointment.
Mail after mail came and went—but his check was never among the letters.

The next month I changed my tactics.
Now I rode the range.
Mounted on my trusty typewriter, I was a two gun, two fisted he man
Threatening him with disaster and destruction.
I predicted a law-suit, trouble and annoyance.
Like a fortune-teller, I foresaw a troubled future
Unless we received his check.
My typewriter, spitting verbs and adjectives of fire,
Mowed him down with words of terror.
But 'twas all in vain.

Oh well—I guess
We'll have to charge the $2.00 to profit and loss,
Cause he never sent us his check.

Helen H. Mutnick.

CAPITAL LETTERS



Dear Reader:

Association members who sell to the Federal Government for delivery in Washington, or who sell through ordinary private commercial channels in Washington, should immediately familiarize themselves with a *NEW DISTRICT OF COLUMBIA TAX LAW* which imposes a tax on the privilege of doing business in the District.

D. C. sales

The scope of this new tax law, which is a part of the District of Columbia Revenue Act of 1937, is very broad and under present official interpretations of its provisions will be extended to firms outside the District of Columbia whose activities in the District fall within the terms of the law. The law imposes a tax of two-fifths of one per cent of the gross receipts in excess of $2,000 derived from doing business in 1936; and also requires that all firms doing business in the District be licensed.

The Washington Representative of the Association undertook to obtain an official expression of opinion from the office of the Corporation Counsel of the District with regard to the application of the law to companies located outside the District and selling to the United States Government. The following paragraphs are excerpts from a letter received in reply from the office of the Corporation Counsel:

"In cases where sales to the Government are negotiated entirely by mail, without the intervention of the representative of the company, and where the company does not deliver the goods within the District or retain title until after the goods have been delivered within the District, such sales would not constitute doing business within the District of Columbia and any company whose entire business is conducted in this manner would not be required to file a return, pay any tax nor obtain a license."

"Visits by a representative of a company which had already obtained a government contract would not constitute commercial activity within the District of Columbia. However, if the company delivers part of the goods within the District of Columbia or retains title thereto until such delivery is completed, the gross receipts from that part of the contract would be subject to the provisions of the Act."

"If the supplying company was the lowest bidder (on a government contract) and therefore the only company through which the Government agency could legally purchase the supplies, then the taking of an order (under the contract by a representative of the company visiting Washington) by a representative of the supplying company would not, in itself, make the gross receipts from such sale subject to or a measure of the tax and the company would not thereby be liable to the provisions of the Act."

"Where a sale to the Federal Government or to any person in the District of Columbia is consummated entirely by mail or telephone, and where the seller does not deliver such goods into the District of Columbia or retain title to such goods when delivered in the District of Columbia, then no liability arises under the Act."

"If a local wholesaler, acting as agent for a manufacturer, secures business with the Federal or District Government, or any person in the District of Columbia, questions similar to those stated above may arise. If the wholesaler, acting as agent of the manufacturer, engages in any commercial activity in the District, that is, procures any business or delivers any goods within the District, the manufacturer (as well as the wholesaler) must obtain a license and pay the tax determined by such gross receipts."

"If the local wholesaler buys outright from the manufacturer, the manufacturer's liability under the Act still depends upon whether a representative came into the District and obtained the business or whether the goods were shipped into the District by the manufacturer."

"In considering the foregoing and other questions relating to Title VI of the District of Columbia Revenue Act of 1937, it might be well to point out to your members that 'business' as defined in paragraph (d) of Section 1 of said Title, includes the carrying on or exercising for gain or economic benefit, either direct or indirect, any trade, business, etc., or commercial activity in the District of Columbia. The term 'commercial activity' is very comprehensive and, in my opinion, includes any person or company that projects itself into the District of Columbia through an agent, employe or representative who solicits and obtains business, or any person or company that delivers goods into the District or retains title to such goods until delivered into the District."

"It might also be well to advise your members that the Act provides that no person shall engage in business after October 16, 1937, without first having obtained a license; that the time for filing returns of gross receipts upon which the tax is determined has been extended to October 16, 1937, and cannot be further extended; and that the time for making payment of the tax has been extended to November, 1937, and March, 1938."

Bankruptcy

It is hoped that the Senate will act on the *CHANDLER BILL (H. R. 8046)* during this special session. The Bill will be handled by a special subcommittee of the Senate Judiciary Committee and plans are now being made to make available to that subcommittee complete information regarding your Association's interest.

Yours truly,
C. F. BALDWIN

Trailers—and more trailers!

During the past few years, the increasing appearance on our highways of automobile trailers has signalized a new development in the history of automobile transportation. In the West and South, to a far greater extent than in the eastern states, they have attained an amazing popularity. With demand far outstripping supply, many manufacturers have been reported unable to cope with the orders pouring in upon them. There would seem little question that a new and permanent industry is in the making in the manufacture of passenger trailers, "The Index" declares.

It has been estimated that by the end of the present year there will be 1,000,000 trailers on the highways, and that within another twenty years, half the population will be touring the country in them. Such prophecies have no substantial basis in fact or reason. While accurate statistics are not available, estimates on possible production during the current year in no case exceed 375,000 units, and in more conservative instances, place factory-built production no higher than 100,000 or even 75,000, "The Index" continues.

The trailer may have notable effects upon the automobile industry in creating a demand for specially adaptable automobiles and it should also provide a new outlet for the rubber tire industry, body manufacturers, and all kinds of equipment furnishers. It may seriously affect the hotel industry and greatly modify the system of tourist camps which, in recent years, have sprung up all over the country.

In any event, there would appear to be definite limits to the growth of trailer touring as an American institution which its enthusiasts do not always take into consideration. The limited number of persons who can afford the time for such travel, and the initial expense involved, even with time payments, are factors which can hardly fail to exert a retarding influence on the industry's development.

The comparative freedom of trailers from taxes and regulations cannot be expected to continue long if the number of them at present on the roads continues to multiply. And, finally, trailers are already creating new traffic problems, problems which may lead to measures seriously restricting that freedom of movement which is at present one of their greatest popular assets.

In 1928, the total number of trailers throughout the United States amounted to 148,169. In each succeeding year, this total grew, showing a steady, gradual increase in license registrations. In 1935, it was 733,414, a gain in this seven-year period of about 400 per cent.

Trailers are very unevenly distributed among the several states. Michigan shows the largest total, or 102,975, and is closely followed by California with 95,233 and Ohio with 95,216. These three states thus account for approximately 40 per cent of the nationwide total. Iowa with 50,244, Indiana with 43,013 and Texas with 38,262 also stand high on the list of state trailer registrations, while no eastern state is among the leaders.

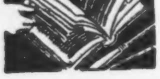
These registrations, however, give no clue to the number of strictly passenger trailers which have now become the all-important factor in this new industry. Their growth has been largely unrecorded and such estimates of the present number as are available range as high as 250,000, a more conservative figure, however, being 100,000, of which about two-thirds are outmoded.

Those in the lower price range, from about $395 to $700, may have only limited standard equipment, but passenger trailers, fitted out like yachts, are being sold as high as $3,500.

Possibly even more important than the use of trailer coaches for touring is their growing importance in the business field. Salesmen are using them as living quarters on the road as well as for the more adequate display of their ware; traveling entertainers find them more comfortable than many small-town hotels; engineers, road surveyors and others make them into portable offices, certain migratory workers are finding them advantageous, and manufacturers can cover the country with self-contained trailer exhibitions.

On the basis of reports by leading manufacturers, Automotive Daily News is authority for the statement that a large proportion, possibly 50 per cent, of the trailers manufactured during the current year will be display and delivery trailers. The lead taken by manufacturers of (*Cont. on page* 33)

Paging

 books

Corporate profits

HOW PROFITABLE IS BIG BUSINESS? The Twentieth Century Fund, Inc., New York. $2.00.

The big business baiters during the depression years have had a fine time. Now that the depression is over and realism can take the center of the stage, it is especially interesting to have a study determining how profitable big business really is. Following the first volume in this series on the growth and place of big business, this book precedes a forthcoming study of big business salaries.

After two years study, the authors and researchers connected with this volume find that contrary to general impression the financial set-up of big business on the average was much more sound than that of similar businesses during the three depression years, 1931-1933, which is the period mainly covered. For that matter, the huge trusts in the early part of the century, which were so fiercely attacked at that time, were often money-losers, even though a number of them made huge profits. In other words, big business in itself is no guarantee of success as a profit-maker. The book reveals also that little corporations, which are profitable, are more profitable, in relation to their capital, than big corporations. But when little corporations lose money they lose more, comparatively, than do big corporations.—P. H.

Why we are what we are

ROOSEVELT TO ROOSEVELT. By Dwight L. Dumond. Henry Holt & Co., New York.

In this book the author, who is Associate Professor of History at the University of Michigan, presents a survey of the United States in the 20th Century. It is a factual study of political, economic, social and cultural trends to which the reader is introduced with a panoramic view of the heritage of this century from the sectional and population differences which were rooted in varying political and social interests.

To gain a perspective of the current developments and those of the recent past in Washington, it is necessary to restore contact with what has gone before. "Roosevelt to Roosevelt", as its title implies, presents an exposition of various forces at play in our democracy with special emphasis on the past three decades.—A. E.

Mankind's business side

OUR ECONOMIC WORLD. By D. O. Kinsman. Thomas Y. Crowell Co., New York. $3.50.

Here is a study of the world's natural resources, industries, transportation and marketing systems which employs numerous illustrations, maps and charts, to bring out the author's points. For a detailed work in this field, this book cannot be surpassed.

—A. E.

Bankers and depositors

HOW TO USE YOUR BANK. By William H. Kniffin. McGraw-Hill Book Company, New York. $2.00.

It is Mr. Kniffin's contention that the bank holiday of 1933 was caused by a failure of public confidence in and understanding of banks rather than a failure of banks themselves in general. With this there is not much room for disagreement.

The only point of disagreement might be that the banks had failed to educate their depositors as to the function and purpose of banking operations. Into this breach Mr. Kniffin steps with his book. It is a description in plain language of the banking system and the individual bank, what they are and how they operate.

As such it is a valuable contribution to the current trend in the banking fraternity which aims to improve banking public relations. If it achieves widespread reading, as it deserves, it will develop better depositors and they are one important portion of a better banking system.

Of particular interest to our readers will be the material on what a bank credit department looks for in the credit standing of a prospective borrower. This excerpt the author reprints from the pen of Mr. Harvey L. Welch of the First National Bank of St. Louis, who is also a National Director of the N. A. C. M.—P. H.

Easy vs. hard money

EASY MONEY. By Lionel D. Edie. Yale University Press, New Haven, Conn. $2.00.

The depression years brought on an era of easy money in the financial markets. How long is easy money justified?

It is Dr. Edie's opinion that easy money as an official policy of the Treasury should coincide with the deflationary influences of a depression period and in that way help to influence the upward movement so much desired. But when conditions are no longer getting worse, then we must begin to beware of inflation rather than deflation. At this time it should be the concern of monetary authorities to develop hard money, since this will tend to prevent that excessive inflation of values which is apt to have serious consequences.

The author is not, however, a doctrinaire economist. In this, as in previous books in this field, he is more concerned with an exposition of the subject than with a statement of particular dire consequences. Dr. Edie doubts, for instance, that the oft-predicted excessive inflation just around the corner is likely to occur.

In the light of recent acts by the Federal Reserve authorities reducing rediscount rates, this book is an especially timely discussion.—P. H.

Trailers

(*Cont. from p.* 31) such electrical equipment as washing machines, kitchen appliances and radios, in taking their displays direct to the dealer is being followed by merchandisers of many other kinds of equipment. Trailers are also being used as mobile stores, as traveling boot and shoe repair shops, as delivery trucks for cleaners and dyers, as concession wagons following fairs and circuses, and for many other special purposes.

Recognizing the inevitability of laws governing the operation of trailers, the newly organized Coach Trailer Manufacturers Association has adopted a program for uniform state legislation which it is proposed to submit to the National Highway Users Conference and to the American Association of Motor Vehicles Administrators.

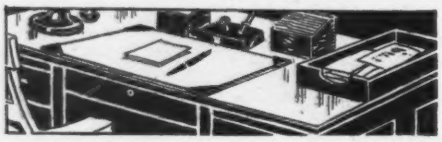
Trailer Travel, organ of the new industry, has estimated that, in 1935, there were some 100,000 trailers (exclusive of commercial trailers) throughout the country, and that, by 1936, the number had expanded to 250,000. For 1937, it forecasts production on a basis which, by the end of the year, will bring the national total to approximately 625,000, representing an increase in two years of more than 500 per cent.

In marked contrast to these estimates, are those of the Trailer Trade News Section of the Automotive Daily News. It states that production last year probably totalled no more than 55,000 units, of which 35,500 were factory built and 20,000 were produced by small manufacturers or entirely home-built. Factory-built production for 1937 is estimated at 100,000.

In regard to the number of manufacturers, Trailer Travel places the present total as high as 700, in comparison with 170 at the beginning of 1935. While a great majority are small concerns making custom built vehicles, at least twelve were reported as engaged in volume manufacture during 1936, and at least one automobile manufacturer had entered the field.

Further integration of the industry, marked by a reduction in the present number of manufacturers, would appear likely, especially since many smaller companies are being faced with difficulties arising from inadequate resources to tide them (*Cont. on page* 37)

On offices



Office accidents

by J. W. RIEDELL,

Recording & Statistical Corp., New York

Accidents in offices, according to the generally accepted belief, happen so seldom that it is not worthwhile to bother about them. The truth is that accidents do happen in offices, and not only is it proper for management to recognize that fact, but it is quite in order as a social responsibility and as good business to do something about it.

The office has no such hazards as whirling belts or buzzing saws, but it can unhesitatingly be stated that every office presents accident potentialities; that this fact should be recognized; that preventive measures should be provided to avoid their happening; and that when they do occur, means should be at hand to aid the injured. Startling as it may appear, some of our largest industries engaged in hazardous production have had more accidents in their office than in their plants.

Few seem to take notice of the effect of the gradual changes that have been going on in the office in recent years. Two are of especial significance: (1) the passing from manual labor to machine production; and (2) structural planning and physical equipment. Each seems to offer greater security from accidents now than in the days gone by, when as a matter of fact they carry possibilities that should be taken into account.

Unfortunately, there are few facts and figures available regarding office accidents. As a rule they are grouped with plant records. However, an examination of any casualty company's files will show an astounding number of office cases, representing more than 50 distinct types of accidents.

The general nature of the office and some of its operations may be compared in a measure to the working conditions of a home, certain physical characteristics being somewhat similar. This offers practically the only basis of comparison with office conditions. Vital statistics show in recent years an annual death rate of approximately 40,000 persons directly killed because of accidents in the home; that the generally accepted total is more than 4,500,000 nonfatal cases; and that the resulting economic loss is estimated at more than $500,000,000.

It is interesting to note that falls, one of the most common of office accidents, represent 30 percent of the home accidents. Most of us can recall similar misadventure in offices, commonly caused by slippery floors, spiral stairs, dark stairways, open file drawers, unsteady stools and small step ladders, by obstacles such as waste baskets in narrow aisles, or by loose wiring or floor covering. These are typical examples.

A recent study of office accidents, involving some 20,000 cases, made by one of our largest casualty insurance companies, showed that the incidental cost per case is about the same as those in the factory; i. e., for every dollar spent on the accident directly (medical and surgical aid, hospitalization, care, etc.), there is an incidental cost of from $4 to $5 (for loss of time, legal fees, hearing and court costs, settlements, etc.).

With the constant increase of mechanization in the office there is naturally a growing possibility of accident. It is interesting to note that many organizations today are practically complete "machine shops" from office to delivery platform, but displacement of manual effort by counting-house appliances has been so gradual that many people do not appreciate or understand how great it has been and what a revolution in operations has been brought about. This development introduces new hazards, such as exposed moving parts on motor-driven equipment and also the electric current supplying the power.

The complete list of hazards in the office is amazing at first glance, and yet closer study reveals that all are common to the experience of office and personnel managers. There is, for instance, the jammed file drawer which, when jerked, pulls the whole case over on the file clerk; proper fastening would have prevented such an accident. Extreme tension on self-closing doors makes trouble which can easily be prevented. Pins as paper fasteners contribute to minor injuries, as do carelessly used (or placed) paper knives, scissors, spike files, and razor-blade erasers. Broken glass tops on desks, protruding radiator valves and electric outlets, loose lighting units, stacking of material on high objects, all offer accident possibilities—not always of a minor nature. Fires are caused by carelessly discarded matches or smoking materials as well as by spontaneous combustion from stacked newspapers or other printed matter containing ink. Such are a few of the common office hazards.

Accident prevention in the office can be undertaken by any alert and tactful person who recognizes the importance of accident prevention, and is interested in it. As a general thing, this responsibility can be assumed in addition to other duties.

Obviously, the first step is to enlist the interest and cooperation of the management in order to insure a proper official attitude toward safety in the office and toward first-aid facilities. The next step is to give publicity to accidents and to show how they could have been avoided, and how they will in the future be prevented. Conferences with department heads, meetings with employees, bulletin-board notices and items in the house paper all contribute toward a safe office.

Each type of accident suggests its own method of prevention—and, for the most part, those methods are quite simple. All that is needed is specialized attention, a little thought and quick and precise action.—*"Executives Service Bulletin."*

"Junior Execs"

(*Cont. from page* 17) pioneered by a young executive, that has grown international in scope, but the pity of it is that it has not been adopted by a sufficient number of organizations in this country. The head executives are simply overlooking an opportunity to assure their company of a future that is in the hands of experienced and loyal young men. That is one of the things that has been wrong with industry for a long time. The younger men were never given a chance to see the "inside workings" and to assume their share of the responsibilities borne by those at the helm. All this is being changed. The world does move and business moves along with it. As long as the younger men have ideas that are practical and judgment that is sound, they should be heeded, their cooperation and energies should be eagerly sought. It is common sense to use all your talents—why not take advantage of the ideas of the young men in your own business?

Every man on our Junior Board of Directors has progressed far beyond his wildest dreams in the last five years. He has the poise, experience and thinking equipment that comes with responsibility and the making of his own decisions. How has the business reacted to the so-called radical ideas of young men? Every year for the last five years business has steadily improved. This year promises to be the best in the history of the company. Young men are coming into their own —why not use the latent power in your organization?

Collective bargaining

An agreement was signed with Hart, Schaffner & Marx in 1911. Since then the Amalgamated Clothing Workers has extended its contracts with employers to cover 85 per cent of the workers in the men's coat and suit industry. During the NRA, the Amalgamated became firmly established in the shirt industry and in March, 1936, absorbed the Journeymen Tailors of America. Amalgamated agreements usually make union membership a condition of employment. Hours are generally limited to 36 per week in the men's coat and suit industry and to 40 per week in shirt manufacturing, while more than half of the custom and alteration tailoring agreements provide for the 40-hour week.

Insurance digest

Extra expense insurance

Not much has appeared about Extra Expense Insurance, a new type of coverage which should not be confused with fire insurance Use and Occupancy. Extra Expense covers only the additional cost or expense necessary to keep a business in operation during the period of restoration or rebuilding after a fire, whereas Use and Occupancy insures the continuing expenses and profits, "Eastern Underwriter" notes.

Frank C. Hatfield, Jr., engineer in the special risks department of the Aetna Fire Group, has an interesting article on the subject in that group's recent agency publication, The Messenger.

"In some cases," he explains, "a Use and Occupancy policy might produce the same effect as an Extra Expense policy, but it would only be in instances where the extra cost necessary to keep a business in operation would be equal to or less than the expense to reduce loss feature of the U. and O. policy which is limited to the U. & O. value. Extra Expense usually takes the place of U. & O. since if it keeps the business in operation by paying for the additional cost the income and normal operating expenses of the business will not be changed in any respect, thereby producing the same result as though no fire occurred."

The use of Extra Expense insurance is limited to risks such as newspaper publishing houses, ice manufacturing and delivering companies, milk pasteurizing and delivering companies and other lines of business which have to keep in operation regardless of heavy extra expense which might be necessary.

In the past year or so several of the rating organizations has promulgated rules and forms for the writing of Extra Expense. The term of the policy is for not less than a year. The period of indemnity is not for less than three months. No more than 40% of the amount of the policy can be allocated to any one month. The rate for this form varies as to the number of months (three or over) the assured selects for his period of indemnity, and to the percent (40 or less) of the amount of the policy he elects to apportion to each month.

Contingent beneficiaries

Writing life insurance to protect contingent beneficiaries is becoming so long drawn out, complicated and saturated with legal and trust company features that the companies are being forced to call a halt to over-elaborated "programming," especially that which carries with it payments of interest over long periods, sometimes several decades, and covering a number of lives. Not only is the financial, real estate, insurance and business world in the dark as to what interest yields will be in the future, but there is a decided distaste for the complexity which is growing up alongside of long term settlements.

The "Eastern Underwriter," in its news columns recently, printed six examples of options in insurance policies which promise to pay monthly instalments to many persons over a long period of time. In one instance the naming of a wife means six contingencies and, by adding a daughter as second beneficiary, number of contingencies is increased to nineteen.

It is, therefore obvious that if this trend continues without check the number of lawyers, actuarial assistants, statisticians and clerks at head offices having to do with payments of interest to contingent beneficiaries, sometimes several decades after the policy is taken out and with other optional performances, will grow into a large army. Furthermore, it is an expensive administration. There are some annoying angles. For instance, some of the heirs may go to court in trying to upset the arrangement which the insured thought he had made with the agent at the time the policy was written.

The tendency towards elaborate and complicated long term settlements, with many lives involved, has been growing as agents have sought additional ways and means to interest prospects in taking out insurance.

In the old days there were production campaigns for business written through use of such expression as gold bonds and similar terminology. When disability came along that looked like a splendid opportunity for selling insurance. As the companies pulled away from disability, following the tremendous losses, something new was hunted by agents and they started going in for programming on a big scale.

"Programming" is all right as long as it is intelligently and conservatively done, but in the long run the fundamental reasons for insurance should be those which have always prevailed, not the frills. When attempts are made to cover too many lives under one contract, when companies are tied up for decades in stipulated interest payments, when the agent reaches too far out to protect unborn grandchildren, the life insurance company must go pretty far afield in carrying out the contracts. This is now recognized and is the reason that so many companies are either revising their settlement options or planning to make such restrictions.

Trailers

(*Cont. from page* 33) over seasonal lows, insufficiency of capital to arrange time payments for customers who largely expect such assistance and the inability to establish adequate dealer outlets.

Discounting fantastic prophecies which would have a large proportion of the country abandoning their homes to take to the open road and trailers solving the problem of low cost housing, public demand does warrant the conclusion that trailers are far more than a temporary fad. Although individual companies have and will encounter difficulties, the industry, as a whole, faces an era of expansion.

Missouri fire rates

Superintendent of Insurance R. E. O'Malley of Missouri recently announced state-wide reductions in the fire insurance rates on fireproof city constructions averaging about 20%. In some instances the application of coinsurance credit will bring the reductions to about 32%.

The new reductions in rates are in addition to those that were announced immediately after the rate case compromise of May 1935. At the time the compromise was announced it was stated that there would be a general reclassification of individual risks throughout the state. The new fireproof rates just announced are in line with that plan.

Deny pacts cause farm import gain

Hitting back at those who charge the reciprocal trade agreements program with being primarily responsible for increased imports of farm products, with consequent injury to farmers, the National Foreign Trade Council in a statement recently asserted that careful analysis of the figures disproves the argument.

In a special release, indicative of the more aggressive policy which export groups have adopted toward those who attack the trade agreements plan, the council asserted that the world economic survey of the Department of Commerce shows that in 1936 farm income passed beyond the $9,000,000,000 mark, increasing $360,000,000, compared with the previous year, which gave agricultural interests more purchasing power than 1929.

Court decisions

ASSIGNMENT FOR BENEFIT OF CREDITORS — CITY'S RIGHT TO PREFERENCE FOR PAYMENT OF SALES TAX. — In the Matter of the General Assignment for the Benefit of Creditors of Atlas Television Co., Inc., to Nathaniel H. Mandelker, New York Court of Appeals, December 31, 1936.

In April, 1936, Atlas Television Co., Inc., made an assignment for the benefit of creditors. The City of New York filed a claim for taxes imposed pursuant to the provisions of Local Law No. 24 of the City of New York for the year 1934. The assignee allowed the claim, but refused to accord it priority. The Court of Appeals held that the City was entitled to priority.

The Court said that no statute in express terms provides a general priority in favor of the State, or of a governmental agency of the State, in the payment of debts due from an insolvent debtor; that even without such statutory provision, the State, as the holder of the sovereign power, has a preference over other debtors in insolvency proceedings. This is not true generally *of debts* due to the Cities of the State. In other words, the City would have no preference for moneys collected as taxes and deposited in an insolvent bank. But this does not preclude the City from having a preference in the collection *of a tax* due from an insolvent corporation, and preference should not be denied on the ground that the City's claim is not for taxes due from the insolvent, but for moneys collected by the insolvent as agent for the City.

The Court said that it might agree with the conclusion of the United States Circuit Court of Appeals for the Second Circuit, in Matter of Lazaroff, 84 Fed. 2nd 982, that the tax was a tax upon the purchaser and the amount collected a debt of the vendor to the City, except for the fact that the Local Law contains other provisions which indicate that the obligation imposed upon the vendor is in the nature of a tax. He must file a return of his receipts from sales. The duty of payment *to the City* is laid upon the vendor, not the purchaser. His liability is not measured by the amount actually collected from the purchaser, but by the receipts required to be included in such return, etc.

The City has imposed a tax as a sovereign and to meet a need which concerns the welfare of the State. Though the vendor is required, at least in most cases, to collect the tax from the purchaser for and on account of the City, the purpose of that provision is to place the incidence of the tax immediately on the consumer. If the City has no priority in collecting a claim founded upon this obligation, the other creditors of the vendor share in money collected by the vendor for payment to the City.

ASSIGNMENT FOR BENEFIT OF CREDITORS — CLAIM OF FEDERAL GOVERNMENT FOR TAXES HAS PRIORITY OVER CLAIMS FOR WAGES IN ASSIGNMENT PROCEEDINGS, NOTWITHSTANDING CONTRARY RULE APPLICABLE IN BANKRUPTCY PROCEEDINGS. — In the Matter of the General Assignment for the Benefit of Creditors of Kupshire Coats, Inc., to Charles Goldberg, 272 N. Y. 221, New York Court of Appeals, December 31, 1936.

On November 23, 1934, Kupshire Coats, Inc., made a general assignment for the benefit of creditors which was recorded in the County Clerk's Office on December 10, 1934. On the date of the assignment, there was due and owing to employees of the assignor the sum of $420.34, representing wages for work, labor and services performed by them within three months prior to the date of the execution of the assignment. These wage claims were duly filed with the assignee.

The Collector of Internal Revenue, on behalf of the United States Government, filed a claim with the assignee for unpaid taxes due from the assignor for some time prior to the date of the assignment, in the sum of $760.78. The assignee applied for an order settling his account and the matter was referred to a Referee to determine among other things the manner of the distribution of the assets. The Referee filed a report giving a preference to the wage earners over the claim of the United States Government. The Court of Appeals reversed the report of the Referee and held that the taxes due the United States were entitled to priority over the wage claims. The court said that assignments under the Debtor and Creditor Law of New York and bankruptcy proceedings were not one and the same thing; that one is governed by State law and the other by an act of Congress; that the State law (Section 22 of the Debtor and Creditor Law) giving preference to wages due at the time of the assignment, for services rendered within three months prior thereto and not exceeding $300 to each employee, did not apply to debts due the United States where such law was inconsistent with an act of Congress giving claims of the Federal Government priority. And such a Federal law has been upon the Statute books since 1797. It is Section 3466 of the Revised Statutes of the United States, Title 31 United States Code, Section 191, which reads:

> "Priority established. Whenever any person indebted to the United States is insolvent, or whenever the estate of any deceased debtor, in the hands of the executors or administrators, is insufficient to pay all the debts due from the deceased, the debts due to the United States shall be first satisfied; and the priority established shall extend as well to cases in which a debtor, not having sufficient property to pay all his debts, makes a voluntary assignment thereof, or in which the estate and effects of an absconding, concealed, or absent debtor are attached by process of law, as to cases in which an act of bankruptcy is committed."

The court held that this law was not changed or modified by the adoption of Section 64 (b) of the Bankruptcy Act which accords priority in bankruptcy proceedings to wage claims over taxes. The court said that the Bankruptcy Act only applies to proceedings in the bankruptcy court or coming within its jurisdiction. Section 191 of Title 31 of the United States Code specifically mentions voluntary assignments for the benefit of creditors, and since there has been no subsequent act which nullifies or modifies it, effect should be given to its plain statement and meaning, viz. that the taxes due the United States have priority over wage claims in assignment proceedings in New York.

Migratory labor

The interstate migration of workers creates social problems of very great significance. During the decade 1920 to 1930 probably more than 4½ million persons (excluding immigrants from abroad) migrated across State lines at least once. The depression of the early 1930's, combined with the midwestern droughts of those years, accentuated certain types of migration, and brought to acute attention the problems arising from the influx into more favored States and communities of thousands of outside jobseekers.

SOCIAL SECURITY ACT—TITLE IX OF THE SOCIAL SECURITY ACT IS A CONSTITUTIONAL EXERCISE OF THE POWER OF CONGRESS TO LEVY TAXES FOR THE GENERAL WELFARE—Beeland Wholesale Co. vs. Davis, United States District Court for the Northern District of Alabama (Davis, D. J.), January 14, 1937.

The Court held that Congress has the power under the general welfare clause of the Constitution to levy and collect an excise tax such as is prescribed in Title IX. If the Congress cannot do this, then it is difficult to conceive of any tax that could be levied for the general welfare. The tax is not unconstitutional on the theory that it is a mere incident to a scheme to coerce the states into adopting a system of unemployment compensation, a matter solely within the power of the States, in violation of the Tenth Amendment.

The taxpayers are not entitled to an order restraining the collection of the tax under the Federal Act pending a test of the constitutionality of the Alabama Unemployment Compensation Law to which they are also subject. The Federal tax being legal, this court has no authority to enjoin the Collector of Internal Revenue from assessing and collecting the same.

SALES TAX—NEW YORK CITY SALES TAX PROPERLY COLLECTED UPON SALE OF DYE STUFFS AND CHEMICALS TO DYER TO BE USED IN BUSINESS OF DYEING FURS BELONGING TO OTHERS. Matter of Mendoza Fur Dyeing Works, Inc. v. Taylor, 272 N. Y. 275, December 31, 1936.

Mendoza Fur Dyeing Works, Inc., was engaged in the business of dyeing and processing fur skins owned by dealers and manufacturers. It does not trade in, buy or sell fur skins. It does, however, in performing the service of dyeing and processing, use certain chemicals and dye stuffs purchased by it. Such chemicals and dye stuffs, except so far as they may adhere to or be incorporated into the skins processed, are consumed in its service operations. In 1934, the City imposed a tax upon the sale of tangible personal property to any person for any purpose other than for resale in the form of tangible personal property. By Article 34 of the Regulations adopted by the Comptroller of the City of New York in connection with this tax, it is provided that a purchaser who disposes of tangible personal property in any other manner than by resale, becomes a consumer thereof; that persons engaged in the cleaning and dyeing industries are rendering a service and are not in the business of selling tangible personal property; that a dyer, including a fur dyer, is a consumer of all articles of tangible personal property purchased and used by him in connection with the service he renders, and that he is required to pay the tax to his vendors.

A tax was collected upon the sale of dye stuffs and chemicals purchased by the Mendoza concern. It applied to the Comptroller for a refund of the tax paid, which application was denied. This determination was annulled by the Appellate Division upon the ground that prior to dyeing, the materials dyed are colorless, and after the application of dye, the materials acquire a hue or color, and that therefore the chemicals maintain their chemical character after completion of the dyeing process, by reason whereof the dyer is not the ultimate consumer, and the sale to him is not taxable, and that a double tax would result inasmuch as after the garments have been dyed, they are sold in the market by their owners and a second tax is then imposed.

This determination of the Appellate Division was reversed by the Court of Appeals. The Court of Appeals said "Obviously, the fur dyer is not engaged in the business of reselling chemicals and dye stuffs as such or as tangible personal property. Its business is that of rendering skilled services and performing labor upon the property of others. The fact that in so doing, it is required to use and consume chemicals and dye stuffs, is incidental to the services rendered. The dyer did not sell a finished product, but performed work on the property of others in connection with which the chemicals and dye stuffs were used."

The court went on to say: "While double taxation is not to be favored and a statute is to be construed, if possible, to avoid such a result, a taxing statute must be given a practical construction, and where the tax involved is a sales tax upon the sale of tangible personal property to the consumer, it is not always possible to reach a practical determination as to who is the ultimate consumer with entire certainty so as to avoid entirely the possibility of a resultant double taxation to a limited extent. To carry to its logical conclusion the argument that only the sale to the ultimate consumer should be taxed would result in excluding from taxation many sales of tangible personal property. We think, therefore, that the construction thus far placed upon the law as it applies to the sale of chemicals and dye stuffs to a dyer who does not resell the product as such but consumes it in performance of services upon the property of another, is entirely too narrow. The mere fact that some part of the product so sold to the dyer adheres to the property of another upon which its services are performed, and such part is discernible by microscopic examination, is insufficient to make the dyer a vendor of the dyes and chemicals purchased by it."

"Co-ops" in Cleveland

Two old-established consumers' cooperative associations and twelve newly organized cooperatives beginning business on a small scale were found in operation in Cleveland, Ohio, in a study made by the Bureau of Labor Statistics in June 1937. Counting the families of cooperative members, some 5,000 persons were participating in the activities of these associations. Their membership is drawn not only from wage earners, but also from the professional and business people. The local cooperative associations have formed a federation to carry on educational work and to coordinate the varied activities of the different groups.

Railroad grade crossings

Railroad grade crossings constitute one of the most serious forms of accident hazard. It was peculiarly appropriate, therefore, that the Federal program of work relief should have included appropriations for the purpose of eliminating a large number of such grade crossings. According to the most recent reports 361 grade crossings have been eliminated by the construction of either overpasses or underpasses. An analysis of the cost reports shows that of the total money spent, 25 cents out of each dollar went for labor at the site, 42 cents for construction materials, and 33 cents for other expenses. The employment created at the site and in the fabrication of materials amounted to about 16½ million man-hours.

NEWS ABOUT CREDIT MATTERS

A Section Devoted to Association Affairs

Forms Close on 20th of Month Before Issue

NOVEMBER, 1937

Save on Losses With Interchange

Name Group To Co-Operate On Accounting

E. W. Shepard Heads New National Committee for Joint Study

As a part of the Development Program a special National Committee has been inaugurated this year for the purpose of cooperation with the American Institute of Accounts. The Accountants Institute has also named a new national committee to cooperate with our Association. The object of this movement is the development of closer relations between credit men and accountants throughout the country.

The following are the members of the National Association Committee:

E. W. Shepard, New York, chairman; Howard S. Almy, Pawtucket, R. I.; Robert E. Cole, Dallas, Texas; E. W. Hillman, Columbus, Ohio; P. A. Hoyt, Oakland, Calif.; L. W. Lyons, East Pittsburgh, Pa.; W. S. Murtfeldt, Cleveland, Ohio; Forrest Walden, Salt Lake City, Utah.

William R. Donaldson, of New York, is chairman of the Institute Committee. Recently a conference between Mr. Donaldson and John L. Carey, secretary of the American Institute of Accountants, met with chairman Shepard of the NACM Committee and David A. Weir, Assistant Executive Manager of of the National Association, when a program was discussed for the plan of cooperation between the two organizations. This program is tentatively set down as follows:

1. In cities in which members of both committees reside they should meet at the first opportunity, and forward to the committee chairman any suggestions which may arise in their conversation.

2. In cities where members of two committees reside (and later in other cities) plans

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'Rising Prices' Popular Subject Discussion Among Economists

"Rising Prices" seems to be the topic of discussion in practically every business publication, even the great national weeklies like the SATURDAY EVENING POST and COLLIER'S have been presenting excellent articles on this subject in recent weeks. An article by John T. Flynn in the COLLIER'S WEEKLY for the week of October 25th is one of the most impressive articles on this subject in the current discussion. Executive Manager Heimann started talking on this subject during his trip on the Pacific Coast and was widely quoted in many of the nation's metropolitan newspapers on his ideas.

As a matter of comparison between Mr. Heimann's declaration and those presented in the John T. Flynn article mentioned above, the following excerpts from Mr. Heimann's announcement will be of interest to our members.

"While all normal factors point towards a sustained business recovery great attention must be given to the effect of rising prices.

"If prices continue to rise at a rate as rapid as that which has characterized their movement in the past few months, they may check the recovery movement. The duration of the recovery period will largely be determined by the rapidity of the increased price movement. This is one of the factors that must be carefully watched in any survey of the business outlook."

With that warning to business men against injudicious price advances, the credit executive coupled a prediction that business would be forced

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Syracuse Is Host To Big Tri-State On October 29-30

Syracuse.—"Preserving Business Recovery" was adopted by the 1937 Tri-State Conference, which was held at the Onondaga Hotel in Syracuse on October 29th and 30th. Conference delegates gathered on the night of October 28th at the Roof Garden Party at the Onondaga Hotel for a general reception and entertainment. Promptly at 10:00 on Friday the general conference got underway with a few short addresses. The conference luncheon at noon marked the real opening of the session, however, with a business session devoted to credit and financial topics slated for the entire afternoon. In the evening the big conference banquet at which Executive Manager Heimann presented the main address was followed by a program of entertainment and dancing. A short session was held on Saturday morning when resolutions and discussions was woundup from the previous day. The afternoon was an interesting session at the annual Penn State-Syracuse University Football Game.

The Tri-State Conference always attracts a good attendance and this year's session at Syracuse was well up to precedent. Remarks heard as the sessions closed for the final luncheon and the foot-ball game gave high praise to Syracuse as a conference host.

LACM News Is Out In Attractive Form

Los Angeles.—The LACM NEWS published by the Los Angeles Credit Men's Association appeared in October in a new format. The NEWS now is printed in the form of a sixteen page booklet size 5½" wide by 7½" deep with an attractive cover. One of the interesting features in the October issue is a list of thirty-three new members secured since the last announcement in June.

Pilsbury Heads 1937-38 Group OnMembership

Past-President Will Direct Efforts for Current Season

Announcement is made by President Paul Fielden that Ed Pilsbury of New Orleans, immediate past president, has accepted the chairmanship of the National Membership Executive Committee for the Association year 1937-38. This year the committee is divided into Vice-Chairmen for the three Association districts with membership of the committee arranged by district also.

The setup of the Membership Committee for the current year under the direction of past president E. Pilsbury of New Orleans is as follows:

Eastern Vice-Chairman: E. E. Ogren, The Stanley Works, New Britain, Conn.

G. B. Jackson, A. G. Behn Shoe Co., Arlington, N. J; Alvin Smith, Smith Courtney Co., Richmond, Va.; J. R. Garrison, Washburn Co., Worcester, Mass.; G. A. Cole, Dinkins, Davidson Hardware, Atlanta, Ga.; E. Z. Rowzee, Edmonds Art Stone Co., Washington, D. C.; W. E. Samuelson, Bridgeport Brass Co., Bridgeport, Conn.; D. J. Bone, Fairmont Creamery Co., New Haven, Conn.; J. A. MacDonald, McTighe Grocery Co., Binghamton, N. Y.; Edward Juergensen, Duofold, Inc., Mohawk, N. Y.; O. O. Witherspoon, J. S. Bell, Jr & Co., Norfolk, Va.; E. J. Keefe, Bryan-Keefe & Co., Tampa, Fla.

Central Vice-Chairman: Harvey L. Welch, First National Bank of St. Louis, St. Louis, Mo.

S. C. Brennom, Paper Calmenson Co., St. Paul, Minn.; Alvin Linker, Linker Cigar Co., Louisville, Ky.; M. D. Fields, Central Rubber & Supply Co., Indianapolis, Ind.; R. W. Anderson, Crane Co., Minneapolis,

Minn.; Claude C. Arnold, Fox-Coffey-Edge Co., Dallas, Texas; Fred Zens, Standard Oil Co., Inc., Milwaukee, Wis.; D. H. Gordon, Eureka Vacuum Cleaner Co., Detroit, Mich.; A. H. D. Perkins, Memphis Press Scimitar, Memphis, Tenn.; M. D. Thomason, Perfection Mattress & Spring Co., Birmingham, Ala.; E. G. Parker, First National Bank, Fort Worth, Texas; C. C. Ogborn, John Morrell & Co., Sioux Falls, S. D.

Western Vice-Chairman: F. A. Cates, Pillsbury Flour Mills, Los Angeles, Calif.

Wendell Sizemore, National Bank of Commerce, Seattle, Wash.; L. W. Bane, Miller Packing Co., Oakland, Calif.; E. M Meyer, Sperry Flour Co., Tacoma, Wash.; R. K. Sybert, Hage's, Ltd., San Diego, Calif.; T. D. Swearingen, McElroy Packing Co., El Paso, Texas; Paul R. McClure, Northern Creamery Co., Great Falls, Montana.

Utica Credit Men Start Year With Big Dinner Meet

Utica.—The Utica Association of Credit Men opened its Fall season with a dinner meeting on Wednesday evening, October 13, 1937, in the English Room of Hotel Utica. The speaker was Lawrence Daw, manager of the New York State Fire Insurance Rating Organization.

The Meetings Committee, headed by H. K. Hineline, was congratulated on the good attendance and excellent arrangements. Among the special guests were several members of the Syracuse Association of Credit Men, in particular "Bob" Merrill, who gave a little sales talk for the Tri-State Conference to be held in Syracuse on the 29th and 30th of October. The Mayor of New Hartford, the Hon. A. D. Eldred, and Fire Chief Sullivan of the City of Utica were also guests of honor.

President Edward Juergensen presided and reported on the very successful Presidents' Conference of the Eastern Division of the N.A.C.M., which he and Vice-President Charles Usher attended in New York in September.

Mr. Hineline announced the BIG event of the year for Utica —the appearance of Exec. Mgr. Henry H. Heimann on Thursday evening, November 18th— and urged that each member secure the proper support from the business men of Utica for this special occasion.

Name Group To Co-Operate On Accounting

(*Continued from page* 41)

should be commenced to arrange joint meetings of the local credit men's associations and the state societies of certified public accountants, and the programs for such meetings be arranged in advance by members of the two committees. It was suggested that the topics of discussion be broad and elastic, such as what the credit man expects from the accountant, what the accountant expects from the credit man, improvement in accounting procedure of small businesses, to what extent can financial statements approach uniformity?

3. Any important questions arising in these local meetings should be referred to the national committees for further study and consideration.

4. Questions arising at local meetings or from other sources might be the basis for articles or comment in the publications of the Association and of the Institute.

5. Questions and answers at local discussions might be made the basis of articles to be submitted to trade publications in an effort to improve the accounting procedure and reports of small business men.

6. The Institute might provide lecturers for the classes conducted by local branches of the National Institute of Credit, on such subjects as "Analysis of financial statements."

Baltimore ACM Holds Annual Election and Hears of Legislation

Baltimore.—The forty-first annual meeting of the Baltimore Association of Credit Men will be held at the Longfellow Hotel on Thursday evening, November 4th. Mr. Charles F. Baldwin, Director of the Washington Bureau, was the guest speaker on the program, his subject being "Legislation and the Credit Executive."

The meeting started with a dinner followed by the annual report of President R. C. Smoot at the annual election of officers. The annual session of the Baltimore Association, one of the oldest in the NACM roster, indicated a revival of interest among the members of the Association in Association work.

Credit Men Are Urged to Help On Legislation

New Orleans.—J. A. Morien, Jr., Chairman of the Bankruptcy and Legislative Committee of the New Orleans Credit Men's Association, recently sent out the following bulletin to members of this organization:

"In view of the disturbed condition of business and the continued agitation of further government control and regulation, it would be advisable for all business men to confer personally, if possible, with their Senators and Congressmen before they depart for Washington to attend the special session.

"If business continues inarticulate on matters directly affecting it, it would be but natural for our Senators and Congressmen to infer from the silence that business men approve of the continued added burdens in the shape of taxation and regulatory measures.

"The present is your opportunity to submit your views to our Senators and Congressmen so they will, upon their return to Washington, carry with them the opinions of New Orleans Executives."

This sort of advice could well be given by every Association executive throughout the country. It is up to business to speak its piece out loud during the next few months.

Past Presidents Of Omaha Association Honored At Dinner

Omaha.—The big fall opening session of the Omaha Association of Credit Men held at the Omaha Chamber of Commerce on October 12th was designed as a special honor to the past president of the Omaha Association. Since 1904 when the Omaha Association was established, twenty-eight men have served in the chair as president.

Henry H. Heimann, Executive Manager was one of the speakers at this complimentary dinner and R. D. Wilson, Secretary-Treasurer of the Paramount Creamery Company, and a former president, also spoke. Mr. Wilson's subject was "Benefits Derived from the National Association of Credit Men."

Reports presented at this session of the Omaha Association indicated many plans now progress which will make the 1937-38 season one of the best in the history of this progressive group of credit executives.

Final Efforts On NACM Drive Going Forward

Before the end of the present calendar year it is expected that the effort on our Development Program will have been completed by a majority of the Associations affiliated in NACM. In this connection, it is interesting to note the large number of local Associations which have indorsed this Development Program and have put their shoulder to the wheels to do what they could to put the project over the hill. Up to the 25th of October the following Associations, arranged by divisions, have had a part in promoting the Development Program in their several areas:

EASTERN DIVISION

Allentown	Newark
Baltimore	New Haven
Binghamton	New York
Bluefield	Norfolk
Boston	Philadelphia
Bridgeport	Pittsburgh
Buffalo	Providence
Charleston	Richmond
Charlotte	Roanoke
Chattanooga	Rochester
Elmira	Springfield
Harrisburg	Syracuse
Hartford	Wheeling
Knoxville	Worcester

CENTRAL DIVISION

Birmingham	Memphis
Chicago	Milwaukee
Cincinnati	Minneapolis
Cleveland	New Orleans
Dallas	Omaha
Dayton	Oshkosh
Duluth	Peoria
Detroit	St. Joseph
Fort Worth	St. Paul
Green Bay	Shreveport
Houston	Sioux City
Indianapolis	Sioux Falls
Kalamazoo	South Bend
Kansas City	Terre Haute
Lansing	Tulsa
Lincoln	Wichita

WESTERN DIVISION

Albuquerque	Pueblo
Bellingham	San Diego
El Paso	San Francisco
Los Angeles	Salt Lake City
Oakland	Seattle
Phoenix	Tacoma
Portland	

Walker's Father Dies

San Francisco.—Many friends of Otis Walker, Secretary Manager of the Credit Managers Association of Northern and Central California, grieved to hear of the passing of his father late in October.

New Jersey "C" Men to Work on Accounting

Newark.—The New Jersey Association of Credit Men has included in its program for this year a new feature which may develop into one of the major activities of the Association. This new work will be guided by a group of accountants and credit executives who are members of the Association and who will be called the Committee on Accounting Development. At present the Committee is made up of Clifford Reeves, Kraeuter & Co.; J. J. Germaine, Federal Trust Co.; R. J. Ball, Dun & Bradstreet, Inc.; George B. Jackson, A. G. Behn, E. A. Alpaugh, J. J. Hockenjos Co., and representatives of the following accounting firms: Puder & Puder, Haskin & Sells, William Margulies, Besser & Co., and Arthur J. Flynn Co.

The Committee on Accounting Development is now considering, (1) ways and means by which the credit man and accountant can improve the accounting systems of those trades and industries in New Jersey who at the present time do not use good accounting systems and (2) the promotion of good accounting practice in the credit departments of New Jersey.

The credit men are particularly concerned over the fact that business failures are more frequent with the small and medium sized business firms than with large business firms. It is also a fact that too large a percentage of these small and medium sized business firms that go into bankruptcy or other form of liquidation cannot produce adequate accounting records. Credit Men contend that one of the principal causes of business failures is the lack of good records for without records there cannot be expected an intelligent control of the business. This fact was borne out in the last survey by the U. S. Department of Commerce in New Jersey on the causes of Business failures.

Credit men know that the customer who does keep adequate records is better able to guide his business operations along profitable lines. Such an account can furnish financial statements and operating statements whereas the customer who does not keep adequate records may be fooling himself and his creditors in the idea that he is operating profitably. If the credit man secures favorable statements it will assist him in approving a higher line of credit, which means a better sales volume for his firm.

ZEBRAFFAIRS

San Francisco.—The San Francisco Herd of Zebras, some time ago, initiated a by-monthly meeting of all members of the Herd. Herb Fletcher is the new Super-zeb of the San Francisco Herd; at each of these meetings some member of the Herd prepares in advance a ten or fifteen talk on his own company, the products they produce or distribute, and all things of an interesting nature surrounding the particular business in which he is engaged. This has proven very educational and satisfactory. The meeting held on October 4th was addressed by Carl Hughes, District Supervisor for the Public Works Administration. Carl Hughes was formerly District Supervisor of the Fraud Prevention work in our own National organization. His talk was very interesting and the members were given a better insight into this very important government work.

On October 18th the next meeting will be addressed by Zebra Gordon Lantz, Past President of the Credit Managers Association of Northern and Central California, on the subject: "The Romance of World Trade."

A bass fishing trip and golf tournament are two of the coming events planned by the San Francisco Herd.

The Oakland Herd of Zebras held their annual business meeting in the California Hotel on Wednesday, September 22nd. The minutes of the Third Annual Round-up at Chicago were read and approved; membership plans for the coming year were discussed and other association activities for the coming year.

The next initiation for the Oakland Herd will be held on October 25th; three new Zebras at that time will transgress the hot sands.

Neal Ricketts was elected the new Super-zeb of the Oakland Herd.

A convention committee of Zebras was appointed, who will hold themselves ready to meet with members of the San Francisco Herd, to offer their services and participate in the Zebra activity during the holding of the National Convention in San Francisco, June 6th to the 10th inclusive.

Grand Zebratary Dibbern was also in attendance and called upon for remarks relative to the Third Annual Round-up in Chicago and the Zebras' participation in the National Convention next June.

Triple Cities Is Name Adopted at Binghamton

Binghamton,—The Board of Directors of the Binghamton Association of Credit Men recently submitted a proposal to the members of that organization for a change in name to "The Triple Cities Association of Credit Men." The office of the Association will remain as formerly at Binghamton but it will draw members as heretofore from Johnson City and Endicott with a more unified designation for the Association organization. For the past several years, the Association has drawn a number of members from both Endicott and Johnson City. The above picture taken at a recent meeting of the Board of Directors presents from left to right: J. B. Kellam; Carlton M. North, Treasurer; John A. McDonald; C. Evan King, Councillor; Frank C. Knapp, President; Thelma Cottrell, Secretary; Lloyd C. Anderson; Herbert F. Milligan, 1st Vice-President; Charles J. Pierson, 2nd Vice-President.

Cleveland Rotary Club Hears Heimann at Big Luncheon Gathering

Cleveland.—Executive Manager Henry H. Heimann was the speaker at the joint meeting of the Cleveland Rotary Club with the Cleveland Association of Credit Men at the Hotel Statler on October 21st. This was the largest gathering of the Cleveland Rotary Club in recent months. The Cleveland papers gave extensive quotations from Mr. Heimann's address which was on the subject "The ABC of Business Prosperity."

Board of Directors of the Triple Cities A.C.M., Binghamton, N. Y.

Credit Women of N. Y. Begin Fall Progam

New York.—The Women's Credit Group of the New York Credit Men's Association opened its 1937-1938 season on October 7th.

President John L. Redmond, of the New York Credit Men's Association, was the principal speaker. Mr. Redmond reminisced concerning the origin and growth of the various activities of the Association, and of the Women's Credit Group.

Sharing the program with Mr. Redmond were reports on the National Credit Men's Convention in Chicago last June, by Miss Jane Sweaf, J. Sweaf Co., recently reappointed National Women's Executive Committee Woman for the Eastern Division, and Mrs. Anne Spitzer Werner, of The International Hdkf. Mfg. Co., ex-Chairman of the New York Women's Credit Group, both of whom had been sent as delegates.

Secretary William Walker Orr, of the New York Credit Men's Association and Raymond Hough, of the service departments of the Association, likewise addressed the Group.

This meeting uhsered in a new administration. The new officers of the Group are:

Marion E. King, Hudnut Sales Co., Chairman; Pearl Rose, Jergens Woodbury Sales Co., Vice-Chairman; Catherine Cohen, New York Girl Coat Co., Secretary; S. Frances Hasse, Thos J. Lipton, Inc., Treasurer.

Miss King announced the committee appointments for the year and outlined a program of importance for the 1937-38 season.

C. F. Baldwin Addresses Opening at Richmond

Richmond.—The first fall business meeting of the Richmond Association of Credit Men was held at the Commonwealth Club on October 22nd. It was a dinner meeting followed by an address by Mr. C. F. Baldwin, Director of the Washington Bureau, who spoke of the importance of legislative matters in our Association.

This initial meeting of the year brought out a large attendance and engendered considerable enthusiasm on the part of Richmond Credit Executives and their guests.

Kansas City Association Issues Attractive Roster of Activities

Kansas City.—The Kansas City Association of Credit Men recently put out a very attractive brochure descriptive of the Association activity. Among the features contained in this attractive booklet was a well designed Association year calendar divided into seasons the first running from May through October and the second starting with November and closing in April. A complete roster of the Association members with special designations for members using Interchange Service also was presented. Considerable space was devoted to various groups operating through the Kansas City Association and listing the names of the companies represented in these groups. Taken as a whole the booklet should prove a very useful selling aid for presenting the advantages of the Kansas City Association to prospective members.

Petroleum Credit Men Hold Important Meet At Indianapolis, Ind.

Indianapolis.—The annual fall conference of the Petroleum Refiners Division of the National Association of Credit Men, held at the Indianapolis Athletic Club here on October 25th to 27th, was one of the most important sessions of credit executives in the Petroleum field in recent years.

The meeting was under the chairmanship of J. M. Judson, Sinclair Refining Company, Chicago. An excellent program was presented during the two-day session. The idea of the conference was to give a national character to every discussion presented so that members of the Petroleum industry from far and near might share in the benefits of the information presented.

Grand Rapids Host To Michigan Conference

Grand Rapids.—The NACM Associations in Michigan are making big plans for the Michigan State Conference which will be held here at the Pantlind Hotel on Friday, November 5th. All of the Associations in the state will join in this big conference session.

This will be the first Ladies' night of the season for the Grand Rapids Association and from early reports a large number will also come from Kalamazoo, Jackson, Muskegon and Detroit. Another delegation has been promised by the Association at Lansing, Mich., by Secretary Lawrence Kowalk.

U. S. Income Tax Is Discussion Subject At Philadelphia, Pa.

Philadelphia.—The monthly forum meeting of the Credit Men's Association of Eastern Pennsylvania, held at the Poor Richard Club on Thursday afternoon, October 21st, inaugurated a new plan for the year at this Association. The session started at 4:30 and wound up at 6:30 after which a dinner was served. This does away with the necessity for the members to give us an entire evening to the Association session.

The meeting discussed the Federal Income Tax features. The speaker was J. V. Giblin, Editor of the Alexander Tax News Service, New York.

The Program Committee has outlined a plan for the current year which calls for one Fall Session each month at which some subject of special interest to business executives will be given a thorough discussion.

Interchange Report on New Accounts Asked

Richmond.—The Credit Methods and Practices Committee of the Richmond Association has issued a recommendation to the entire membership of this organization that an inquiry for an Interchange Report be made on every new account. R. D. Clark, Chairman of the Credit Methods and Practices Committee, has sent out a letter containing such a suggestion to every member using Interchange Service. So far the number of replies agreeing to follow this new plan is very encouraging.

Chicago Starts Study Course on Foreign Credits

Chicago.—The Chicago Association of Credit Men, Foreign Trade Division, has begun a course in exporting for credit executives the first session having been held on October 25th.

Carl M. Wolter, Assistant secretary of the Chicago Association and Director of the Foreign Trade Section says that in recent years many executives are confronted with difficult problems on foreign orders and that the object of the new course is to give instruction on how to handle such orders from foreign lands. A tuition fee of $7.50 is to be charged to cover the cost of the course. This fee also includes the mimeographed text which will be retained by the students after completing their course. Classes will be held on six consecutive Monday nights from 6:30 to 8:00 P. M. in the Merchandise Mart Headquarters of the Chicago Association.

Ross Heads Natural Business Year Drive

Portland.—E. Don Ross, President of the Irwin-Hodson Co., and a Past President of NACM, has been named Chairman of the Portland Natural Business Year Committee. This committee will develop an educational campaign in the Portland area to aid business houses to adopt the natural business year as a fiscal basis for accounting. Associated with Mr. Ross on the committee are: Frederick Greenwood, Manager of the Bank of California and H. W. McIntosh, Resident Manager of Price, Waterhouse & Company.

Quaker Wedding Bells

Philadelphia.—Wedding Bells sounded early in October for two former members of the Service Corporation staff at the Philadelphia office when Miss Valeria Elizabeth Coldren became the bride of Mr. James E. Smith.

Mrs. Smith formerly was employed by the Service Corporation at the Philadelphia office and Mr. Smith was formerly Collection Manager of the Service Corporation at Philadelphia. The best wishes of a large circle of friends go with the newly weds.

Pages from the DIARY of the Executive Manager on His Recent Central Area Trip

On September 24th I headed for Escanaba, Michigan. This city, in a beautiful section of Michigan, was host to the Wisconsin-Upper Michigan Conference. Mr Moran met my train at Chicago and he and Phil Gray accompanied me to Escanaba. It was nice to meet old friends in Escanaba. Thanks to you, Mr. C. B. Smith and E. V. Rudness and to all your committee.

I was particularly happy to see Past National Director Grimmer. Mr. Grimmer seemed improved in health. The program at Escanaba was very fine. Two youngsters, seniors in college, put on as interesting a debate on Consumer Cooperatives as I have heard in any conference. They had debated this subject many times and had their lines well set.

After the conference that night we drove back as far as Green Bay. Ralph Creviston, Russell Flom, Clarence Allair and other friends and delegates comprised the caravan back to Green Bay. Here I boarded a sleeper for Chicago.

Sunday night found me heading for Pittsburgh for the Central and Eastern Secretary-Managers' Conference. The Conference was surprisingly well attended. I personally didn't contribute a great deal to it or participate much, because I was bothered with a very severe cold. Spoke to the Credo Club of the Pittsburgh Association at noon. Had an interesting visit with old friends in Pittsburgh and was particularly delighted to see Lou Lyons, Treasurer of the Westinghouse Electric Company and a Past National Director, in attendance at the noon luncheon.

From Pittsburgh back to New York Office for two days in order to make the final clearance before leaving on another extended trip. October 1st finds me in Chicago attending a Development Program Committee meeting. The Development Program Committee is really doing a very splendid job. The meeting was well attended and the deliberations constructive.

This meeting was followed next day by a Central Presidents' Meeting. Approximately twenty local organizations were represented either through their President or through one of their officers.

The 4th found me in Milwaukee. The Milwaukee group had a very splendid meeting. The Chamber of Commerce of Milwaukee is really a live organization. They are sponsoring an accident prevention school that has a registration of approximately 10,000. Crop conditions around Milwaukee were fine. The labor situation in Milwaukee was easier. Our new manager of Milwaukee, with the assistance of able officers, is doing a nice job. The fine Board of Directors and officers that are back of him will insure his putting Milwaukee over.

In St. Paul, on the 5th, I spoke to a combined Chamber of Commerce and Association meeting at noon. I am sorry to report it was the poorest speech of my trip. I only hope it was acceptable. My cold was still with me and it was with difficulty that I spoke at all. A nice meeting with the Board of Directors of St. Paul that night. While in St. Paul the former manager of the Northwestern Jobbers Bureau, Mr. Rogers, paid me a visit. Rogers looks fine and seems to be enjoying life. I appreciated very much his calling. Also in St. Paul I saw some of our very interested members and was particularly delighted to have a chance to visit with Mr. John Ledbetter and National Director Joe McBrien.

Joe McBrien and Mr. McClaren drove me to Duluth. Joe also drove me from Minneapolis to St. Paul and that night returning from St. Paul to Minneapolis he kept the record of the Association good. You will recall in my last month's diary I spoke about some of our folks not knowing roads very well. I hate to confess this, but I believe Joe was actually lost between St. Paul and Minneapolis. But he wasn't lost going to Duluth.

A nice noon meeting in Duluth with the Board of Directors followed by a very splendid evening meeting, which was exceptionally well attended. Glad to see old friends in Duluth, particularly Past National Director McCabe.

Next morning bright and early I took what is known as the "galloping goose" for Grand Forks. A "galloping goose" is a gasoline propelled car which is divided—half for coach and half for engine. The trip took all day but it was not without interest. There was a ten-minute stop for lunch enroute. The lunch counter was four blocks from the depot. The conductor, however, assured all passengers (three of us) he wouldn't pull out until we returned. Arriving at Grand Forks I was met by a committee. The hospitality of Grand Forks will always remain with me. Addressed an evening meeting, which was well attended. At the meeting I was given a piece of local pottery which now adorns my apartment.

Early next morning I took another "galloping goose" from Grand Forks to Fargo. Arriving at Fargo I had a very lovely luncheon with some old friends and old business customers. The hospitality of Fargo was equal to that of Grand Forks. In Fargo I found some labor troubles. It wasn't, of course, as bad as some of the sections on the Coast, but the unionization program was being attempted in Fargo. A very wonderful evening in Fargo and a splendid meeting and after the meeting a journey to the Country Club. I shall always have fond memories of Fargo.

How to get from Fargo to Sioux City? That was a problem that I wrestled with. I could either go back through Minneapolis and be two nights on a sleeper or I could take a bus. The bus idea didn't look any too attractive. The distance was approximately 420 miles. I finally decided in favor of the bus.

Incidentally, may I say on that entire bus journey I saw but two pheasants, whereas five or six years ago while traveling in the same country I must have seen as many as two or three hundred. Perhaps the automobile is helping decimate our wild game. There are no more inaccessible places.

Finally arrived at Sioux City, this being late Saturday night and I still had the cold with me and did not report in till Monday morning. Spent most of Saturday night and Sunday in bed trying to get rid of the cold. Had a splendid meeting in Sioux City. Territory considered, Mr. Lucey and his able officers and Board are certainly doing a good job.

From Sioux City I travelled to Omaha. It is always surprising to me how the Omaha Association can, year after year, hang up the record they do when you consider the fact that they have been in the midst of a section which, for five or six years, has been beset with the drouth. Congratulations, Gus Horn, to you and your very able Officers and Board of Directors! Here, too, in Omaha, I had the pleasure of seeing Past National Director Willard Dressler as well as many other friends.

And then to St. Joseph, Missouri. St. Joseph is one of the liveliest of the smaller Associations in the system. Splendid hospitality. Few people realize that St. Joseph, Missouri, was at one time the third largest distributing center for dry goods merchandise. At the present time they have one of the finest park systems of the smaller cities in the United States. A most pleasant and enjoyable Board Meeting at noon in St. Joe and a wonderful meeting in the evening. From St. Joe to Kansas City.

A fine meeting in Kansas City at night. Also a splendid meeting at noon. Kansas City is trying to work out of its problems and I saw more enthusiasm there on this trip than at any time in the past six years. Keep it up, Kansas City!

The Garrison family motored in from Wichita to attend the Kansas City Meeting. There were Mr. and Mrs. Elmer Garrison, Sr., and Elmer Garrison, Jr., with his bride. Elmer was married during the summer months. Mrs. Elmer Garrison, Jr., contributed to the success of the meeting by singing several numbers.

From Kansas City to Burlington, Iowa. A nice Association. Splendid meeting and really a delightful afternoon and evening in Burlington.

The trail from Burlington, Iowa, led to Chicago again where the Credit Methods and Practices Committee was meeting. A real, live, functioning committee; one that did yeoman service the day it met. In my opinion one of the finest committees in the organization. While in the city I addressed the Hardware Association Convention.

The next stop at Dayton, Ohio. Here another new manager, Mr. Frank Hax, who, with the assistance of a very fine, loyal Board, is making good progress. The Dayton meeting was especially well attended. After the meeting a dance. Enroute to Dayton happened to meet Past National President Frank Rock's son. Frank's son is in the newspaper business in Dayton and friends

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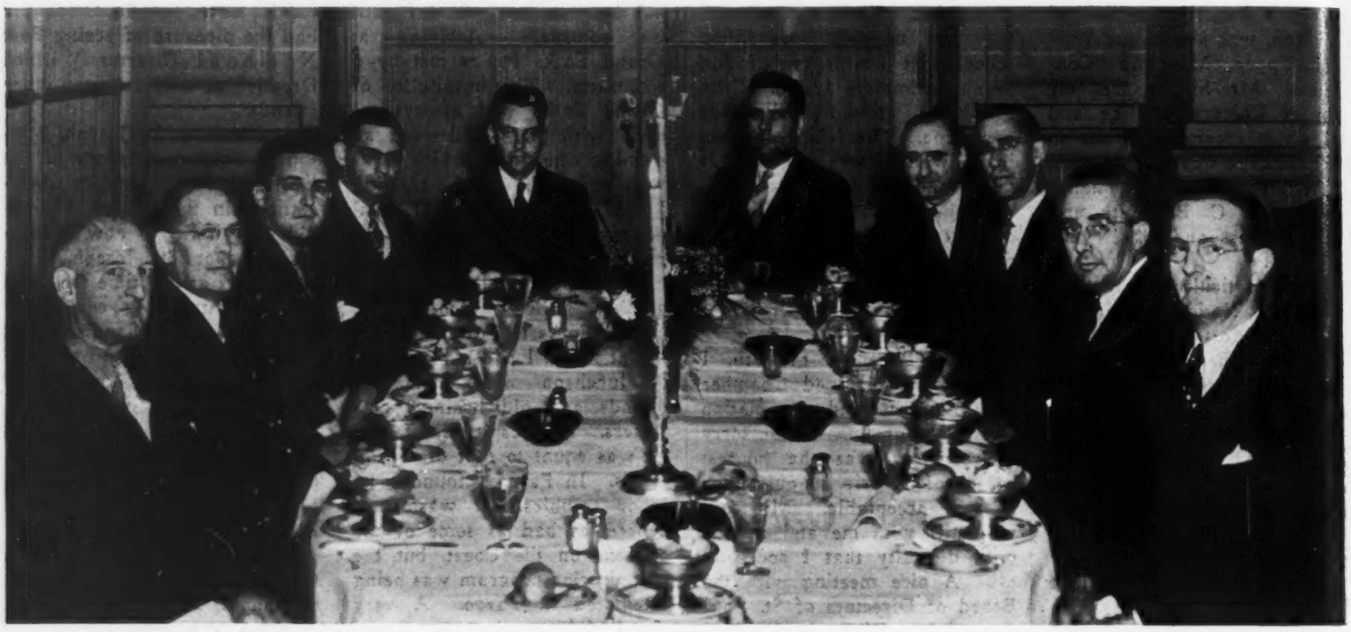
The Men Behind Credit Interchange in the Eastern Pennsylvania Area



The Credit Methods & Practices Committee of the Philadelphia Credit Interchange Bureau

Left to right: C. B. Shelley, Wm. S. Scull Co.; W. A. Bruckheiser, Thomas M. Royal & Co.; E. P. Atcherley, Tide Water Associated Oil Co.; R. V. McCollum, District Manager, Credit Interchange; J. W. Roberts, Vick Chemical Co., Vice-Chairman; A. W. Sande, John Lucas & Co., Inc., Chairman; F. M. Ley, Supplee-Biddle Hdwe. Co.; H. E. Rhell, John T. Lewis & Bros.; D. B. McCoy, Wilson & Co.; J. R. Hogeland, Pioneer Suspender Co.

Members of the Committee not present: Ed. A. Henry, Philadelphia National Bank; M. T. C. Jordan, Francis H. Leggett & Co.

The work of the Credit Methods and Practices Committee in Philadelphia is a further striking illustration of the important part the member plays in building an efficient, satisfactory Credit Interchange Service.

The Committee, like those in other markets, has given freely of its time in studying and checking every phase of operation, always with the viewpoint of results in service to the members. Reflecting as it does the needs of members, it serves as a splendid medium for building co-operation and confidence.

This Committee has made itself the medium for contact and communication between the Bureau and its members. It has recommended numerous plans for greater efficiency of service. It has stressed particularly the three important phases of the work in which the member plays a vital part, explaining that the speed and completeness of a Credit Interchange report is controlled almost entirely by the promptness with which members answer requests for their information, the consistency with which they record their interests in new customers, and the increased amount of information assured if, when asking for reports, they supply the names of other known suppliers of the subject of inquiry, in this latter instance assuring a greater amount of information for themselves and other members and at the same time effecting substantial economies in their own expenditures for the accumulation of ledger experience information.

As evidence of the success of the Committee's efforts, it is only necessary to say that each of their recommendations has been accorded the whole-hearted approval and support of the members.

To accord this Committee full appreciation for its efforts, and to further illustrate what an interested, active group such as this can do, it is interesting to note that by personal endorsement, letters, etc., the Committee is directly and indirectly responsible for a decided increase in the Credit Interchange membership this year.

Pittsburgh Is Host to Large Credit Confab

Pittsburgh. — The district Credit Conference of Western Pennsylvania, Ohio and West Virginia Association was held here at the William Penn Hotel on Thursday and Friday, October 28 and 29th.

The Associations joining in this conference were: Cleveland, Akron, Canton, Cincinnati, Columbus, Dayton, Toledo Youngstown Bluefield Clarksburg, Charleston, Huntington, Parkersburg--Marietta, Wheeling, Pittsburgh and Johnstown. The Credit Association of Western Pennsylvania acted as host. This conference was one of the largest held in the Pennsylvania-Ohio and West Virginia District in recent years and presented an excellent program for the consideration of the visiting credit executives.

Among those making addresses at the conference were Professor Montfort Jones, University of Pittsburgh, who opened the discussion with an inspiring address entitled "Uncle Sam as a Credit Manager." Roy Colliton, director, Central Interchange Bureau, St. Louis, Mo., led the discussion on credit information. Honorable Watson B. Adair, Referee of Bankruptcy in Pittsburgh, outlined the opening amendments of the Federal Bankruptcy Act.

On Friday morning John A. Beattie, President of the John A. Beattie & Company, Pittsburgh, spoke on "Our Changing Economic World," and past National president Fred Roth, of the Whitney-Roth Show Co., Cleveland, gave an inspiring talk on "Profits You Are Overlooking." On Friday afternoon Dr. Marcus Nadler, Economist for the Central Hanover Bank & Trust Co., New York, made the main address on "Is U. S. Headed for Inflation, a Depression or Merely for a Minor Readjustment in Business."

New Englanders Will Gather at Providence

Providence.—The New England Credit Conference will be held here at the Narragansett Hotel on November 17th. This conference will be attended by credit executives from Boston, Worcester, and all of the Connecticut Associations. A very attractive program has been prepared by the committee of the Povidence Association in charge of the conference.

"*Rising Prices*" *Is Discussed by Leading Business Economists*

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into "low-gear" if government regulation of business goes beyond the stage of reasonable supervision.

"A decade ago the business vehicle was breezing along in fine fashion. A few years later it cracked up. Because so many people were affected, there was a demand by some groups that government erect traffic beacons along the business highway so that the business machine could be kept under control hereafter.

"One pertinent question arises now. Appreciating the necessity of having some traffic signals, have we chosen red 'stop' lights when we should have erected yellow 'warning' signal beacons?

"There is an element about government regulations of business that is given too little consideration by all groups. The consequence of government regulation go beyond the inconvenience or restriction of business operations. American industry built its unparalleled record because of the ease and facility with which it could accommodate itself to all situations. It was quick to respond to new demands, to provide new products, to satisfy new needs. It moved ahead without delay because it had great freedom in its operations.

"Will strict government regulation not have a tendency to shift American business into low gear because it makes uncertain the road ahead?

"An illustration is the Robinson-Patman Act. Hundreds of cases have been placed before the Federal Trade Commission involving all types of questions about business policies. Many of these cases have been before the Commission for at least a year and yet only a few decisions have been given in that period of time. Many businesses today do not know exactly how to plan because they do not know just what interpretation to place upon business laws or business regulatory measures. These businesses have been put into low-gear.

"Perhaps at times in the past the speed of business was dangerous. Certainly this was true in the late 20's. But it is just as dangerous to the leadership position of American business to force it into low-gear. Reasonable regulatory measures are necessary but business should not be forced to crawl along when it has the power and the highway to permit a comfortable speed."

Touching on the business situation, Mr. Heimann pointed out that credit conditions generally are in a healthy state.

Diary of Tour Reports Many Happy Items

(*Continued from page* 45)

of Mr. Rock, Sr., will be glad to know of the fine progress being made by the younger Mr. Rock. Had a very nice luncheon meeting at Dayton, met many old friends there. Incidentally, the President of Dayton Association, Mr. Reese Woodward, worked with me in Michigan. He is very competent and a fine, loyal Association worker.

From Dayton to Cleveland. Our good friend Will Tonks came to call on me at breakfast. Later in the morning Hugh Wells came in with his Credit Interchange Committee and we discussed Credit Interchange. At noon an address to the Rotary Club. After dinner a journey to the Hartville Country Club for ten holes of golf. An evening meeting at the same Club sponsored by Akron and Canton—a splendid meeting. Cleveland is busy on a membership campaign. I predict they will get 100 new members before the close of the fiscal year.

From Cleveland back to New York. Never did I feel happier than when I arose to address the Canton-Akron meeting. It was the last on a long sixty-day schedule. And speaking of sixty-day schedules—never again! For the balance of the fiscal year, I hope trips will be few and far between. I enjoyed every minute of my itinerary but, like everyone who heads home, I am glad to be back.

Talks on Lighting At Milwaukee Session

Milwaukee.—Professor F. A. Kartak, Dean of the College of Engineering, Marquette University, in his talk before the Luncheon Club of the Milwaukee Association of Credit Men, on October 21st, gave some interesting information about the need for correct lighting in every business office. He made a special point of the fact that 97% of infants are born with normal eyes and that 40% of college graduates have defective vision most of which he declared was caused by the excessive use of the eyes under poor lighting conditions.

C. of C. Chief At Cincinnati Talks on Credit

Cincinnati.—Morris Edwards, Executive Vice President of the Cincinnati Chamber of Commerce, was the speaker at the October 21st luncheon meeting of the Cincinnati Credit Club held at the Sinton Hotel. Mr. Edwards' subject was "The Constructive Power of Credit in the Upbuilding of Business." This Credit Club Luncheon was the first of a series sponsored by various members of the Board of Directors of the Cincinnati Association of Credit Men and seems to indicate a very active season for the Fall and Winter months.

Congress may modify tax on undistributed profits?

There are reports that the Treasury Department, yielding to some of the criticisms that have been made of the undistributed profits tax on corporations, will shortly recommend at least some modifications of that tax designed to relieve corporations in debt and small business concerns, the New York Times recently commented editorially.

Such modifications should be warmly welcomed, it pointed out, though they would have to be more extensive than seems likely if they are to remove the fundamental objections to the tax.

The undistributed profits tax was enacted into law in spite of a weight of testimony against it so impressive that the Senate rejected it when it first came from the House and only yielded to a bad compromise after the tax measures of both bodies had gone to conference. The passing of time, so far from showing that any of the leading objections originally made against the measure were unwarranted, has fully confirmed them and revealed new objections.

The United States Chamber of Commerce, in a detailed analysis, once more sharply emphasizes the hardships an inequities that the tax works on corporations prohibited by State laws from distributing earnings, on corporations that cannot tell what their earnings are until a few months after the end of the year but must pay them out in dividends or be penalized, and on small corporations as compared with large ones.

The small corporations are hit more severely than the large and well-established corporations in two ways: they cannot grow by the normal method of plowing back their own earnings into their business, and they are not well-enough known successfully to offer new stock on the market to replace the capital that they pay out to escape the tax penalty.

Above all, the chamber contends that the denial of the right to build up reserves during a period of depression must tremendously enhance the severity of the next depression period.

The American Institute of Accountants also urges a detailed list of recommendations for the purpose of removing at least the worst injustices of the undistributed profits tax even on the assumption that the principle of the tax is retained.

The institute declares that none of of the changes effected in Federal income taxation in the past two decades has "had such a devastating effect upon business" as this tax. The criticisms of this body are particularly significant because it is made up, not principally of the interests who pay the tax, but of the persons who calculate those payments and who are daily struck by the comparative inequities involved.

The accountants make other recommendations, such as the broadening of the personal income tax, the modification of the corporation income tax to allow carrying forward losses from bad years, and the modification of the present method of taxing capital gains and losses on the ground that it is "perilous to economic stability."

But perhaps their most important recommendation, which, one may hope, will be seriously considered, is that the Administration bring about a "qualified nonpartisan commission" to study the whole taxation problem.

Construction and housing facts

The importance of building as a factor not only in the advancement of living standards, but in maintaining the national economic balance is reflected in a compendium of "Facts about Construction and Housing" issued by the Chamber of Commerce of the United States.

Among the facts listed, from official and authoritative sources, are:

That from a peak of $11,060,000,000 in 1928 the volume of construction decreased to a low of $3,002,000,000 in 1933. It increased to $6,784,000,000 in 1936.

That private residential construction accounted for 39.2 per cent of the total construction outlay in 1928 and only 18.4 per cent in 1936.

That "Overcrowding" of dwellings is much less in the United States than in many foreign countries, the percentage of such overcrowded dwellings ranging from 3 per cent in England to 1.4 per cent in 64 American cities.

That during the present decade the average annual increase in the number of families will approximate 475,000 to 500,000.

That the average annual number of family dwelling units upon which construction was started was 677,000 in the decade 1920-1929 and only 165,000 in the seven years 1930-1936.

That the total number of dwelling units built or under construction by the federal government to date is only 27,161.

That the greatest lag has been in the construction of low cost housing.

That the number of firms engaged in contract construction decreased from 135,057 in 1929 to 75,047 in 1935.

That regular construction employment reached a peak of 2,888,000 in 1928 and declined to 629,000 in 1934, recovering to 1,210,000 at the 1936 peak.

State labor agencies

In the effort to build up adequate machinery for the administration and enforcement of the many new labor laws that have been enacted in recent years, administrative agencies have been created in several States and materially strengthened in others. Most of the Southern States have, within the past four years, established State departments of labor with enforcing and rulemaking powers. In other instances, notably Arkansas, Indiana, and Rhode Island, existing agencies have been greatly strengthened through increased authority and through the unification of various activities under one administrative head. In several States with long-established labor departments, particularly in Pennsylvania, reorganization and expansion of the departments have been necessary to meet the need for a more effective medium to deal with a broadened program of labor legislation.